



JOINT STATEMENT ON THE PRESIDENT'S BUDGET

PRESIDENT'S PROPOSED BUDGET DOUBLES DOWN ON SEQUESTER CUT TO CANCER DRUGS; JEOPARDIZES CANCER CARE FOR SENIORS

The President has released his proposed budget for fiscal year 2014, which proposes new reductions for cancer care services. Taken in combination with existing strains imposed by sequestration, this proposal threatens access to care for some of America's most vulnerable: elderly patients with cancer. In addition to reduced payments for cancer fighting drugs, the Administration has proposed new limitations on imaging technology used to diagnose and manage cancer. Cast by the President as strategies for improving long term solvency of the Medicare program, these proposed policies will, instead, have the effect of increasing cost to the Administration. By straining community oncology clinics to their breaking point, the Medicare program will push practices to either limit Medicare services or close their doors altogether. That will send patients to more expensive settings for treatment. Over the past two weeks, our organizations have urged Congress and the Administration to reverse the cut to cancer drugs imposed by sequestration and we object in the strongest possible terms to any proposal that would add to the existing crisis.

The President's budget proposes to cut Medicare reimbursement from Average Sales Price (ASP) of cancer drugs plus the 6 percent facilities/operations services fee to ASP plus 3 percent. As it is, the Medicare payment rate for drugs set at ASP plus 6 percent is in actuality closer to a total of ASP plus 2 percent because Medicare's payment formula includes prompt pay discounts manufacturers provide to drug wholesalers but which are not available to cancer clinics. Added to that is the fact that many patients without secondary insurance often cannot afford copayment for increasingly expensive anti-cancer drugs, a problem that has increased the burden of bad debt for many practices. As a result, even at ASP plus 6 percent, many cancer drugs are reimbursed by Medicare at less than their total costs of acquisition, storage, and handling.

Most disconcerting about the President's proposed budget cut to cancer drugs, is that the Administration has already chosen to cut payment by applying the Medicare sequester cut to the underlying cost of cancer drugs. The Centers for Medicare & Medicaid Services (CMS) has questionable statutory authority to cut the Medicare reimbursement rate specifically fixed in law¹ and has ignored flexibility guidance by the Office of Management and Budget (OMB) in implementing sequestration². As a result, as of April 1, 2013, CMS is paying for cancer drugs at the rate of ASP plus 4.3 percent.

The unnecessary sequester cut to cancer drugs is already having an impact on the cancer care of seniors. It has forced community cancer clinics into emergency mode, with many clinics now being forced to send certain Medicare patients elsewhere for treatment. This will increase in scope and severity as the full impact of the sequester cut is realized. It is disconcerting that the Administration is ignoring this crisis, and now threatens to accelerate it with a proposed deeper payment cut to cancer drugs.

Flawed Medicare payment for cancer drugs has already markedly consolidated cancer care delivery. Until recently, more than 80 percent of the nation's cancer patients were treated in physicians' offices in the community setting. Since 2008, more than 1,200 community cancer care centers have closed,

¹ Sections 1847A and 1842(o) of the Social Security Act.

² OMB M-13-03; Memorandum for the Heads of Executive Departments and Agencies, January 14, 2013, accessed at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-03.pdf>

consolidated, or reported financial problems.³ When community cancer clinics close their doors, access to cancer care is compromised for all cancer patients, but especially vulnerable seniors. Studies by Milliman⁴ and Avalere⁵ document that consolidation of care results in higher costs of cancer treatment for Medicare, seniors, and all taxpayers.

We are also concerned that the President's budget could severely impede the essential cancer-fighting services provided by integrated community cancer clinics. The Administration has proposed significant limitations on the ability of oncologists to order follow-up positron emission tomography (PET) scans for cancer treatment management and planning. Prior payment cuts to advanced imaging services, as well as therapeutic radiation, have further pressured integrated community cancer clinics, potentially eroding effective delivery and coordination of integrated care to Medicare seniors. This is counter to the President's expressed goals for health reform.

We appreciate and support the President's concern to decrease the costs of health care. We are working with the Congress on new processes and payment models to further increase the quality and efficiency of cancer care. However, continuing reductions in payment for cancer drugs and other treatment related services undermine our efforts to ensure and enhance the delivery of quality, accessible, and efficient cancer care. We have evolved the world's best cancer care delivery system over the last 40 years, but it is now in crisis. The sequester cut to cancer drugs is accelerating that crisis and certain budget provisions will worsen it further.

We ask Congress to strengthen the nation's cancer care delivery by interceding to correct an already flawed Medicare payment system and to immediately stop the sequester cut to cancer drugs. Legislation has already been introduced in the Congress (H.R. 800 and H.R. 1416) that would accomplish those two objectives. We also ask Congress to stop any administrative actions and reject budget proposals that will jeopardize the delivery of quality, efficient cancer care for seniors and all Americans battling cancer.

³ *Community Oncology Practice Impact Report*; Community Oncology Alliance, March, 2012

⁴ *Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy*. Milliman, October, 2011.

⁵ *Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy*. Milliman, October, 2011.