



**Findings From Two Studies Regarding the Impact  
Of the Medicare Modernization Act of 2003 on Cancer Care  
*September 8, 2004***

Introduction

The Medicare Modernization Act of 2003 (MMA) is most widely known for providing a prescription drug benefit for seniors and people with disabilities. Less known are the bill's provisions that affect cancer care.

Congress intended to address the imbalance in reimbursement of chemotherapy and patient support services that had existed for many years in the government's methodology for reimbursement of their care. This move to reform Medicare's system was supported in principle by those who treat cancer patients. For many years, the underpayment for chemotherapy-related services was balanced by an overpayment in drug payments. Congress had long recognized this imbalance, and, in fact, the increase in practice expense payments in 2004 is the clearest acknowledgement of the problem.

Rather than fixing this flawed system, however, the legislation will lead to significant overall cuts to community-based cancer care, much more than either Congress or the Centers for Medicare and Medicaid Services (CMS) anticipated.

In 2003 Congress mandated three government studies to evaluate the impact of the MMA on cancer care. None of these studies, however, will be completed until 2006, when the changes will be in their second year of implementation. And in July 2004, a CMS Notice of Proposed Rule Making (NPRM) stated that the reduction in drug payment reimbursements to oncologists will be as much as 8 percent beginning in 2005. With the absence of any other data to assess the potential impact on cancer care, the American Society of Clinical Oncology (ASCO) sought two perspectives.

First, to provide a national analysis of the impact of these cuts, ASCO commissioned Muse & Associates, a research firm specializing in health care policy, to evaluate the data. More information on Muse & Associates can be found at the end of this document. Muse & Associates reviewed 2004 Medicare payments per doctor visit and applied the CMS projected reductions to determine 2005 percentage reductions in Medicare funds for chemotherapy services.

Second, to capture practice level evidence from practices across the country, ASCO reviewed the response of 93 members who submitted a completed spreadsheet with data on the price they paid for 16 different drugs in the first quarter of 2004.

***Primary Conclusions***

*Muse & Associates Study*

- Based on CMS' stated 8 percent reduction in drug reimbursements, Muse & Associates projects a 43 percent loss in resources for chemotherapy services nationwide in 2005. These include

services related to drug therapy and its side effects, as well as nutritional counseling, psychosocial assistance, family and grief services, and a host of other professional support to help patients cope with the devastating effects of cancer.

#### *ASCO Member Survey*

- From a local perspective, data from the ASCO practice survey suggest reductions in resources for chemotherapy services are more serious than government projections. Drug pricing data provided by oncology practices suggest the reductions in drug payments will average 15 percent, rather than the 8 percent estimated by CMS. The average 15 percent will yield a 54 percent loss in resources available for chemotherapy services.
- In 2005, as much as a quarter of cancer drugs published in Medicare's proposed fee schedule will cost the typical oncology practice more than what is covered by Medicare.

#### ***Detail and Methodology – Muse & Associates Analysis (The National Perspective)***

For many years, resources available for chemotherapy services have come from two sources:

- A fee schedule payment for drug administration services, and
- The portion of Medicare drug payment that exceeds the actual cost of the drug.

There is a dramatic reduction in these two sources from 2004 to 2005. This reduction in funds is summarized in Chart 4.

Muse & Associates' calculations are based on the following data in the NPRM notice in the *Federal Register*:

- Medicare revenues to oncologists consist of 71 percent payments for drugs and 29 percent payments for services under the physician fee schedule.
- CMS forecasts that payments to oncologists for drugs will drop 8 percent from 2004 to 2005.
- CMS forecasts drug prices to increase 3.39 percent from the 2004 levels.

#### ***Detail and Methodology - ASCO Member Survey (Local and National Impact)***

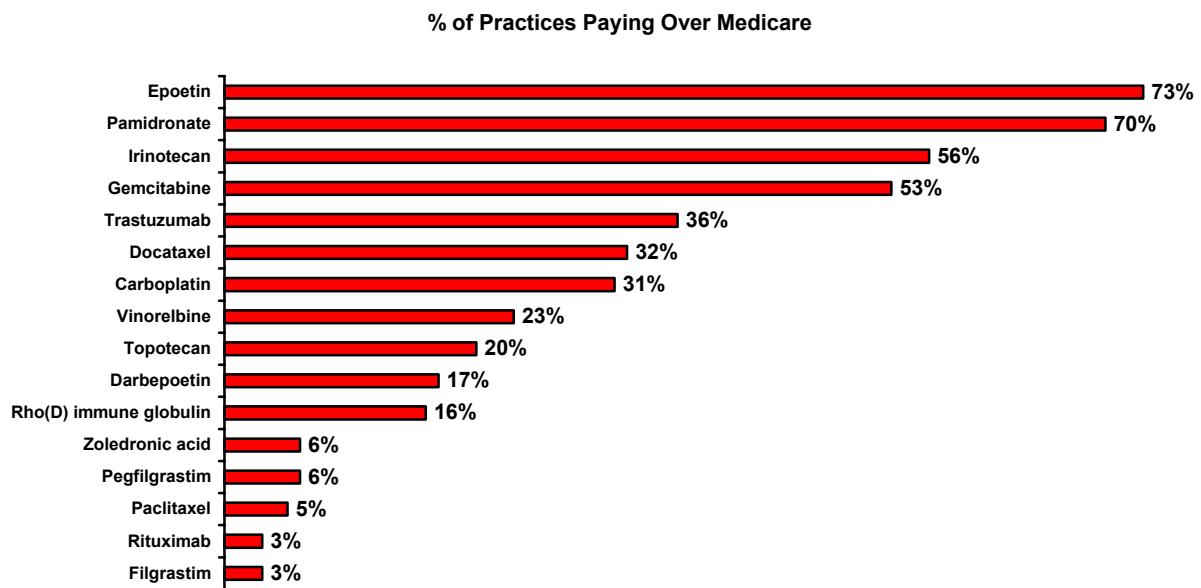
The ASCO calculation uses the same information as the methodology used by Muse & Associates with one exception: the ASCO calculation uses data gathered from 93 oncology practices based on their actual purchasing experience. Respondents to the ASCO survey showed that the reduction in drug payments will be an average 15 percent, ranging from a low of 7.5 percent to a high of 26.3 percent, rather than the 8 percent estimated by CMS.

Using the 15 percent average as a baseline, reductions in funds for chemotherapy services will be as high as 54 percent. This is summarized in Chart 6.

While some drugs are adequately covered by the Medicare rate, many are not. For example:

- 73 percent of practices will be unable to cover the cost of epoetin with the Medicare reimbursement. Epoetin is a drug used to treat anemia, which is extremely common among cancer patients.
- 70 percent will have to pay more than the Medicare reimbursement for pamidronate, a drug used for bone metastasis, which is usually found in advanced-stage cancers.
- For irinotecan, an essential drug used to treat colon cancer, 56 percent of practices will have to pay more than the Medicare reimbursement.
- 53 percent will be unable to cover the cost of gemcitabine, an important drug used to treat lung and pancreas cancer.

As depicted in the chart below, the majority of practices will pay more than Medicare reimbursements for epoetin, pamidronate, irinotecan and gemcitabine. For other drugs, the gap is less dramatic, but practices will still have difficulty acquiring these drugs for the Medicare payment amounts. For example, 36 percent of practices reporter their cost for trastuzumab is higher than proposed Medicare payments.



***About Muse & Associates***

Muse & Associates is a full service health policy and strategic planning consulting firm, providing policy analysis, cost estimates, special studies, and information services in the health care sector, with particular experience and expertise in the Medicare and Medicaid programs.

Muse & Associates has years of experience at the local, state, and national levels of health care policy, with staff having previously served the Health Care Financing Administration (HCFA, now the Center for Medicare and Medicaid Services, or CMS), the Congressional Budget Office (CBO), the Office of Management and Budget (OMB), Members of Congress, and the Senate Finance Committee.

In addition to its abundant experience in Medicare/Medicaid statutes, regulations, coverage, payment and coding policies, staff have many years' experience in statistical and actuarial analysis, economic analyses, applied research and management consulting, and project, sampling and survey design.

***About ASCO***

The American Society of Clinical Oncology is the largest professional group of its kind – representing 20,000 oncology professionals. ASCO's members set the standard for patient care and the organization leads the way to make cancer drugs and treatment as affordable and accessible as possible.