Payment Bundles That Include Drug Costs May Destabilize Cancer Care Delivery Environment

New Report Suggests Clinical Pathways and Alternative Payment Models Have Potential to Help Contain Costs with Less Risk
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Contact
Melissa Lee
571-483-1661
Melissa.Lee@asco.org

Alexandria, Va. – An analysis published today in the American Society of Clinical Oncology’s (ASCO) Journal of Oncology Practice (JOP), suggests that including cancer drug costs in bundled payments under Medicare risks destabilizing the cancer care delivery environment. According to the report, Medicare reimbursement would vary widely in such a model depending on the mix of patient conditions practices treat, rather than the quality of care they provide—with reimbursement to practices that see a large volume of complex patients declining significantly from current levels.

“The Impact on Oncology Practices of Including Drug Costs in Bundled Payments,” comes amid growing interest in developing reimbursement models that might slow the growth of cancer care costs by rewarding high-value, high-quality care.

“For years, policymakers and the cancer community have been struggling to contain the rising cost of health care in the United States, and bundled payments that include the costs of physician-administered drugs are one option under consideration to address this problem,” said the report’s lead author Jeffery C. Ward, MD, FASCO. “This new analysis suggests these payment models will create barriers to patients receiving the right drug at the right time.”

The report is based on an economic model centered on two common cancer types and drawing on first-quarter 2016 Medicare reimbursement rates. It finds that a shift from fee-for-service to bundled payments that include cancer drugs under Medicare Part B and Part D (and not just physician services) would create substantial variation in the reimbursement practices receive.

Practices that treat a larger proportion of molecularly or clinically complex patients would be reimbursed well below current levels. In contrast, practices that treat a larger share of less complex patients would be reimbursed well above current levels. These differences would be
solely due to random variation in the mix of patients practices treat, rather than clinicians’ attention to care management. Furthermore, practices that see a small number of patients would be at greatest risk of experiencing a reimbursement loss of 10 percent or more. This could force practices to send patients with complex diseases elsewhere for treatment, disrupting their care, or put additional strain on small oncology practices that are already struggling to provide the care Medicare patients need under today’s reimbursement system.

“Oncology payment models that severely penalize practices for having a certain patient mix will impede the delivery of consistently high-quality care to patients with cancer,” said Dr. Ward.

The report asserts that alternatives to including drug costs in bundled payments should be explored. Creating bundled payments without drug costs would help ensure continuity of care for patients with complex conditions while preserving incentives for practices to lower costs for aspects of cancer care that are within their control, such as diagnostics, imaging, emergency department services, and hospital use. Oncology clinical pathways may offer an evidence-based approach for optimizing chemotherapy and supportive care utilization, according to the authors.

“We all agree that something needs to be done to control the rapidly escalating cost of cancer care,” said Blase N. Polite, MD, MPP, and co-senior author of the JOP report. “But putting the care of more clinically and molecularly complex patients at risk is not the solution. Alternative payment models have been proposed by federal agencies, specialty societies such as ASCO, and other stakeholders. Pursuing these evidence-based options, including clinical pathways, is in the best interest of people with cancer and those who care for them.”

ASCO retained Milliman, Inc., an independent actuarial firm, to evaluate the extent to which bundling drug costs into a theoretical payment bundle affects the probabilistic risk practices face. The JOP report presents ASCO’s interpretation of the Milliman, Inc. analysis. The conclusions drawn are solely those of the report’s authors and ASCO. The report is also part of the JOP State of Cancer Care in America: 2018 article series.

Read the full report.

**About ASCO:**

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