2011 Cancer Center Business Summit

Positioning and Payment for Oncology within Accountable Care Initiatives

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Palmer House Hotel • Chicago, Illinois

Positioning and Payment for Oncology within Accountable Care Initiatives

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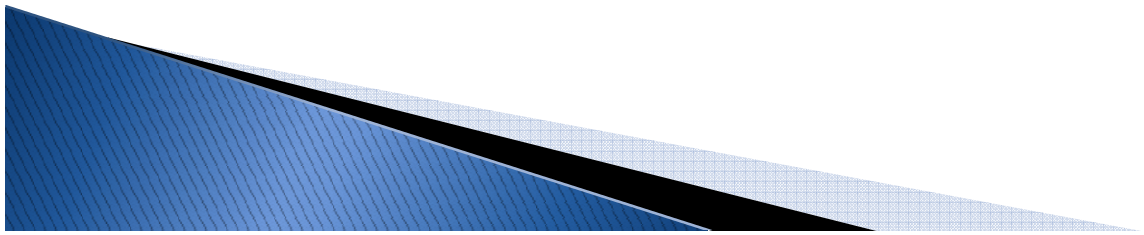
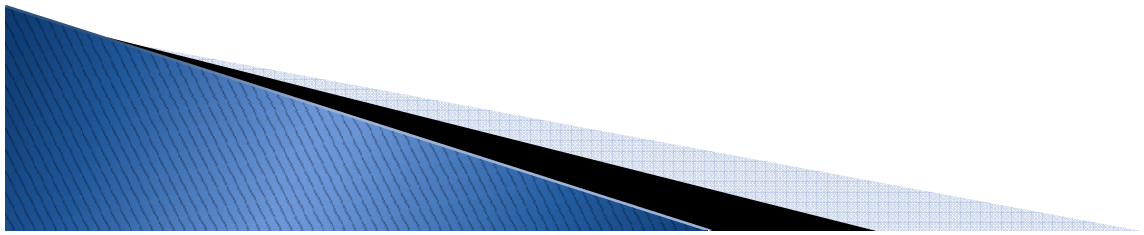


Research Objective

To conduct a targeted survey of

- The structuring/positioning of oncology services within ACO-responder organizations
- Non-traditional and innovative oncology payment/reimbursement methodologies within context of ACO planning or otherwise
- Non-traditional = other than fee-for-service



Research Methodology

Direct phone interview of organizations that

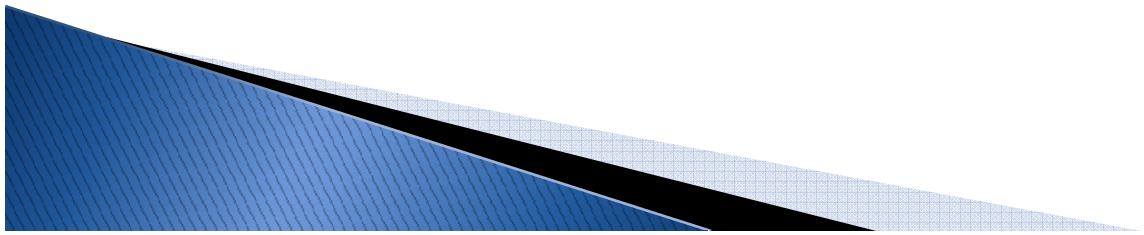
- Identified as responding to accountable care initiatives (Medicare ACO or otherwise) and/or
- Are participating in some form of oncology-specific non-traditional payment methodology
- 36 such organizations interviewed during June – August 2011

Sources for Identifying ACO-Responder Organizations

- CMS Physician Group Practice Demonstration Participants (10 multispecialty sites)
- Dartmouth-Brookings ACO Pilots (5 sites)
- Member Organizations of the Dartmouth-Brookings ACO Learning Network (>120 healthcare systems, health plans and healthcare companies)
- Media releases identifying healthcare organizations that are forming an ACO and may be (or may not be) seeking Medicare ACO designation
- Referrals from interviewees

Organizations Participating in Oncology-Specific and Non-Traditional Payment Methodologies

- United Healthcare Episode Payment Program
- Projects developed by P4 Healthcare
- Numerous initiatives of Blue Cross plans
- For the most part these are pathways oriented



Five Categories of Organization Interviewed

Category	Interviews Conducted	As %
Healthcare Delivery System/ IDS	16	44%
Academic Medical Center	4	11%
Medical Group Practice	11	31%
Physician Network/IPA	2	6%
Health Plan	3	8%
Total	36	100%

Market and Competitive Profiles

- Is your local market fragmented; somewhat consolidated or highly consolidated?
- Is your local market minimally competitive/ collaborative; somewhat competitive or highly competitive?
- A full range of responses – with a common characteristic among pro-active ACO-responders being that they were situated in somewhat to highly consolidated and highly competitive markets

ACO Readiness

Is your organization ACO pro-active; ACO exploratory; ACO wait & see or ignoring ACO altogether?

Strategy	# Responses	As %
Pro-active	10	30%
Exploratory	13	40%
Wait & See	8	24%
Ignore/not interested	2	6%
Total (Health Plans excluded)	33	100%

ACO Readiness
Some Noteworthy Comments

- "The proposed rules are so onerous that I am not aware of anyone in our market running to join."

  Oncology Practice Executive, Southwest

- "Most of our attention right now is on all the Medicare ACO data reporting requirements..how do we gather and report the data…our data is much better with diabetes or heart patients… we don't have that maturity with cancer data."

  Oncology Executive, Academic Medical Center, Mountain States

- "I don't think there has been a really consistent definition of cancer care…without that definition it's hard to dig financially into any organizations operations to determine true costs"

  Health Plan Executive

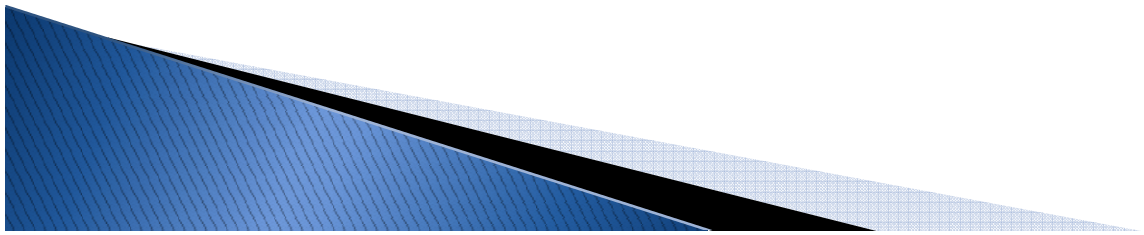
ACO Readiness
Some Noteworthy Comments

- Many organizations will find out they have to spend a lot of political capital with their physicians to get ready for ACO"

  Oncology Executive, Academic Medical Center, Mountain States

- "We are spending a lot of time and effort determining which physicians are fully aligned with us and which are not…because we want to know for future ACO planning…we want to know who we should form relationships with"

  Health System Cancer Center Executive, Midwest



Oncology Positioning within ACO-responder Organizations

- Oncologists closely aligned/employed; loosely aligned or not aligned/competitive?
- Healthcare System/IDS = 16 AMC = 4

Alignment	# Responses	As %
Closely aligned/employed	13	65%
Loosely aligned/mixed affiliations	6	30%
Not aligned/Competitive	1	5%
Total (Healthcare System/IDS-AMC	20	100%

Non-Traditional Payment Methodologies within ACO-responder Organizations

- For example, capitation-sub cap; episode payment; bundled payment; shared savings
- Some capitation payment to system, but oncologists not paid via sub-cap mechanism
- Bundled pricing for BMT (1); implementing CABG bundled price, then intend to pursue oncology (1)
- **Within ACO responder organizations, essentially NO variation from traditional payment methodologies in Oncology!**

Prioritizing Oncology Services within ACO-Responder Organizations

- Opinion question. Do you agree or disagree with the following observation and why?

- Costs of cancer care often singled out as escalating far more rapidly than healthcare costs in general. 1% of commercial patients = 10% of commercial "spend." Yet oncology as a health condition/disease seems to be of lesser priority in context of ACO planning. Diabetes, asthma, heart disease, COPD cited as better candidates for cost savings.

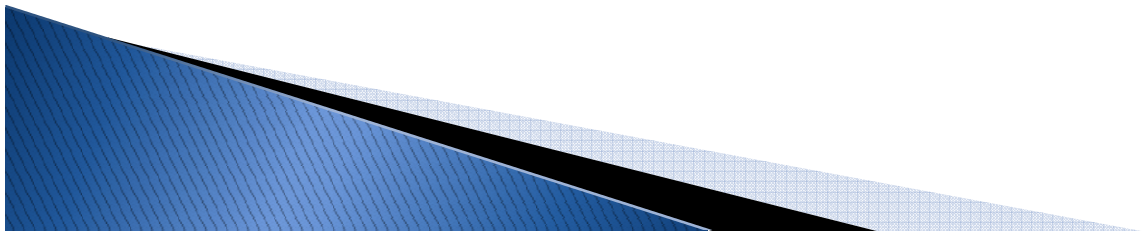
Prioritizing Oncology Services within ACO-Responder Organizations

- "ACO concepts have developed around primary care physicians and there has been much less thought given to subspecialty care…problem with our current healthcare system is fragmentation in subspecialty care. I think that oncology care lends itself to medical home models"

  Health System Medical Director, Southeast

- "Oncology is too big and complicated to try and tackle…they are cutting their teeth on the more straightforward ones…hip, knee, heart surgery is much more predictable… cancer is too broad to get disease focus."

  Health System Oncology Service Line Executive, Mid-Atlantic



Prioritizing Oncology Services within ACO-Responder Organizations

- *"*I think that there has been a lot of focus on chronic disease because it has been more predictable from a cost perspective. The point is to address costs across the whole continuum…and that is where global payments may be the tool to make this happen."

  Multi-Specialty Medical Group Practice Chief Executive, Northeast

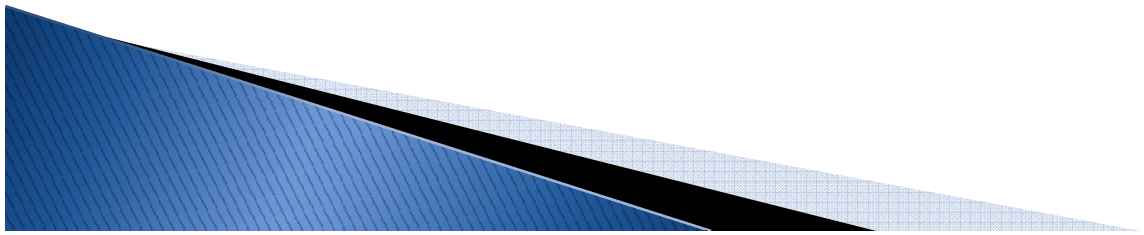
- "So much of the cost occurs in the 6-months end-of-life period…my point is we really spend too much money on futile care because we are afraid to have the conversations about end-of-life care with all its social and political implications…somewhere, somebody has to be courageous enough to say this out loud."

  AMC Medical Director, Physician Network, Northeast

  Health System Oncology Service Line Executive, Mid Atlantic

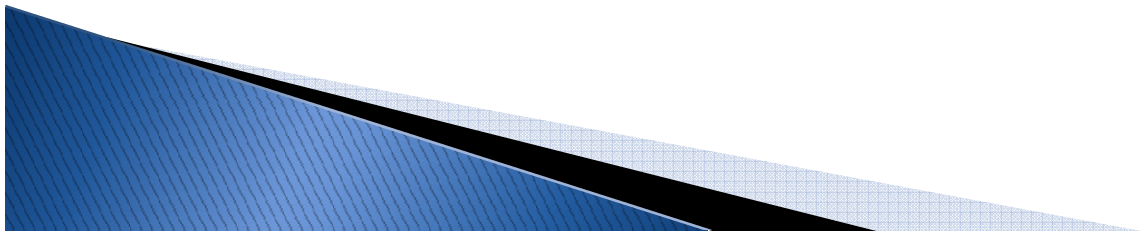
Oncology-Specific and Non-Traditional Payment Methodologies

- UnitedHealthcare Episode Payment
- Projects developed by P4 Healthcare
- Numerous initiatives of Blue Cross Plans (for example: MD, VA, NJ, TN, MI, IN, CA)
- Other oncology-specific initiatives
- For the most part these are pathways oriented programs



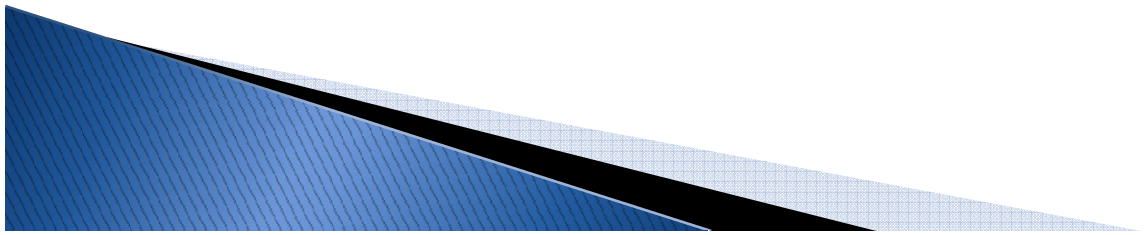
UnitedHealthcare
Episode Payment Program

- 5 practice sites (Texas, Midwest, Southeast)
- Practice complies with selected pathways for select cancer sites (breast, colon, lung, one with ovarian)
- Historic drug margin determined for these pathways
- Practice paid fixed amount for the historic margin plus a per patient administrative fee. All other services on FFS basis
- Not a true episode, but “locks in” historic drug margin



Projects Developed by P4 Healthcare

- Initially involved practices in Maryland, No. Virginia, D.C. markets
- Expanded to MI, IN in conjunction with State Oncology Societies
- In conjunction with Regional/State Blue Cross plans
- Basic model: at 80% pathways compliance, practice paid premium on drug reimbursement with some enhanced reimbursement for E&M codes and up-front implementation payment in certain instances
- Recently migrated from pathways only to programs with patient support and advance care planning features



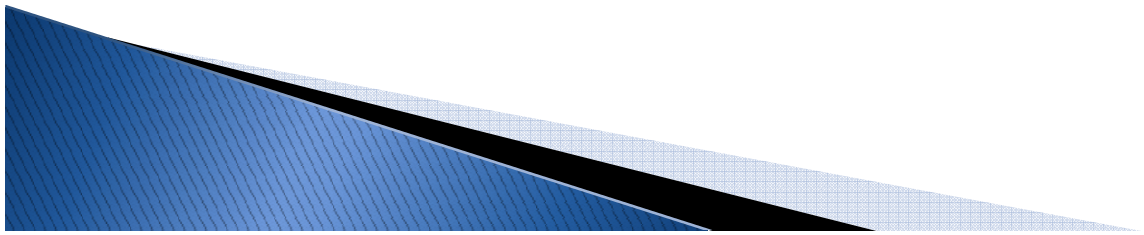
Numerous initiatives of State Blue Cross Plans

- CareFirst Blue Cross (MD): increase drug reimbursement for 80% pathways compliance; migrating from “pathways only” to programs with patient support and advance care planning features
- Horizon Blue Cross (NJ): 1 year old clinical pathways pilot with new pilot commencing that features QOPI reporting. Methodologies for payment not yet established
- Blue Cross TN: Restricted Regimen Program
- Anthem Blue Cross (IN): under development – increased reimbursement for generics with 80% pathways compliance

Numerous initiatives of State Blue Cross Plans

- Blue Cross Blue Shield (MI): in conjunction with State Oncology Society. Up-front pay to participating practices for implementation costs ($5 K per MD); increased reimbursement for use of generics; shared savings formula, but this converted to enhanced E&M rates (10% to 20% increase)

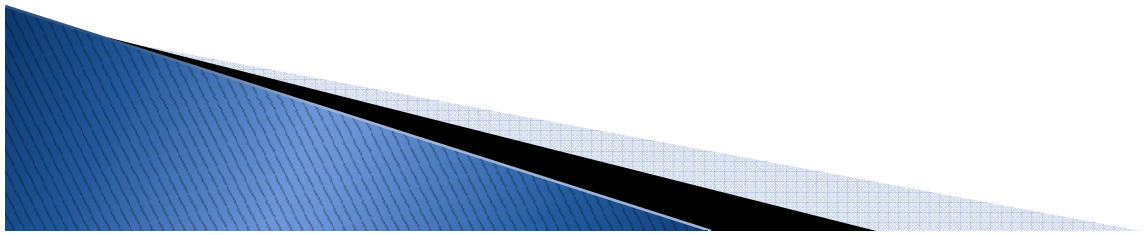
- Anthem Blue Cross (CA): enhanced payment as oncology medical home - expanded treatment plan, care management. Anthem created individualized billing codes for the practice for reporting.



Other Oncology-Specific Initiatives

- Aetna – TX Oncology: pathways, patient support and advance care planning. Practice shares in savings achieved from decreased drug, ER and hospitalization costs v. control group. Shared savings feature reconciled at conclusion of initial phase.

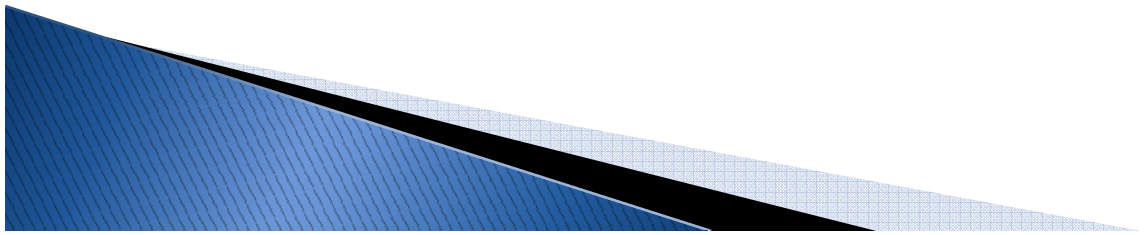
- CTCA currently offering “fixed price protocol” for diagnostics and treatment plan. Expect to offer full bundled price for actual treatment in 2012 (prostate, breast, lung, colorectal)



Key Findings

- In context of ACO initiatives, oncology-cancer services not seen as high priority for achieving cost savings compared to certain chronic diseases (diabetes, asthma, heart disease, COPD)

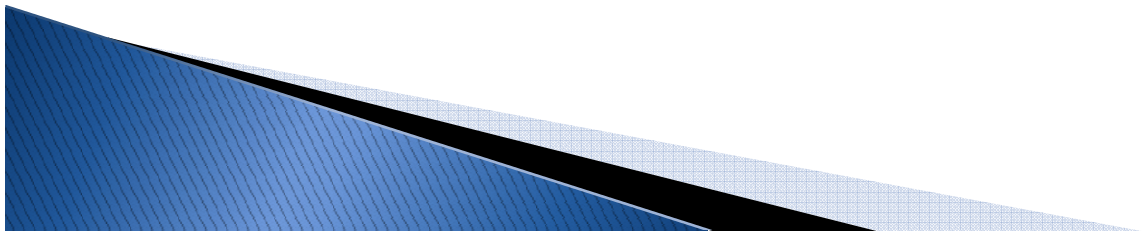
- Reasons cited are: oncology too complex with cost variability-unpredictability; ACO principles derived from primary care experience resulting in greater PCP confidence level in non-cancer chronic disease; sheer volume chronic disease patients > volume cancer patients



Key Findings (continued)

- However, within the commercial health insurance sector, active experimentation with non-traditional oncology-cancer services payment models

- Much of the commercial health insurance sector focus has been on drug cost control through pathways compliance, however trend in expanding to programs designed to address ER, hospitalization costs and advance care planning, which are core features of the oncology medical home model

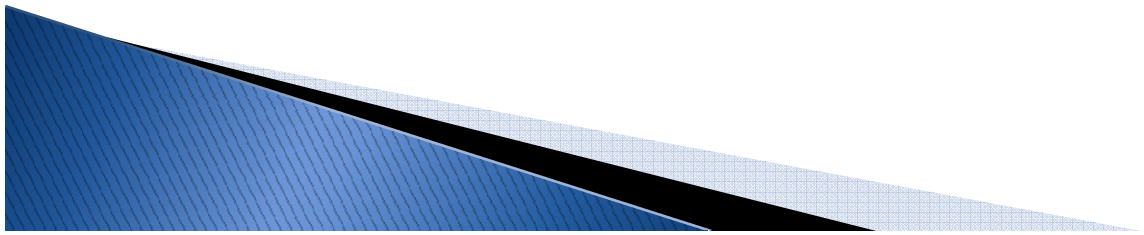


Trends to Watch for Moving Forward

- Continued commercial health plan exploration beyond pathways with programs that emphasize ER, hospitalization cost reductions, advance care planning – oncology medical home design

- Oncology practices organizing to be specialist "neighbors" of primary care medical homes – building blocks of ACOs

- Oncology "bundled pricing as a new oncologist-hospital alignment strategy? Watch for next installment of CMMI bundled pricing initiatives in chronic care – cancer care



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Thank you for your Interest!

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