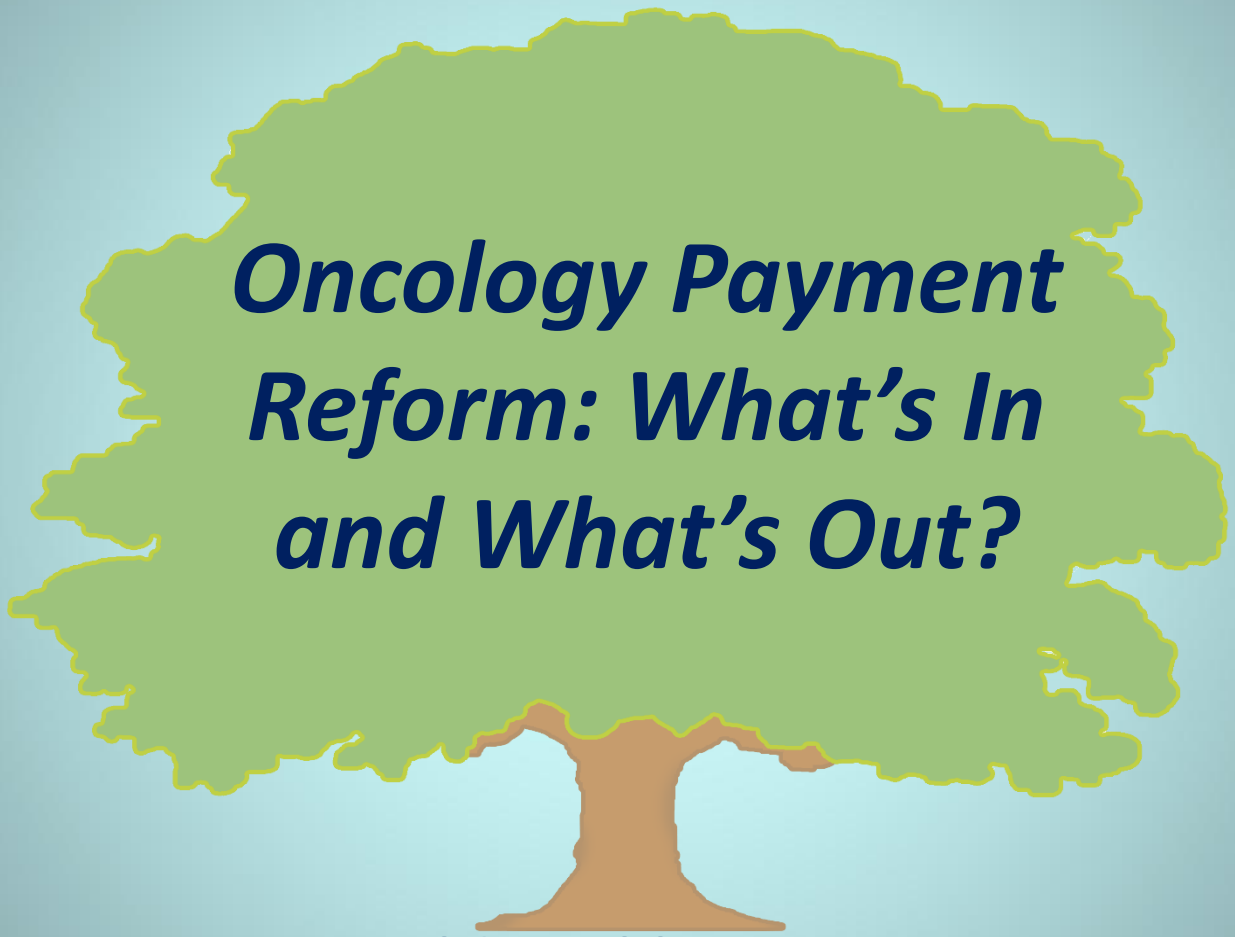
CCBD GROUP
CANCER CENTER BUSINESS DEVELOPMENT



Oncology Payment Reform: What's In and What's Out?

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September 12, 2015

Today's Focus

1. **What** is the current state of alternative payment initiatives in oncology?
2. **Where** is it likely to be headed?
3. **What** can you do about it?

Backdrop: Why are We Talking About This?

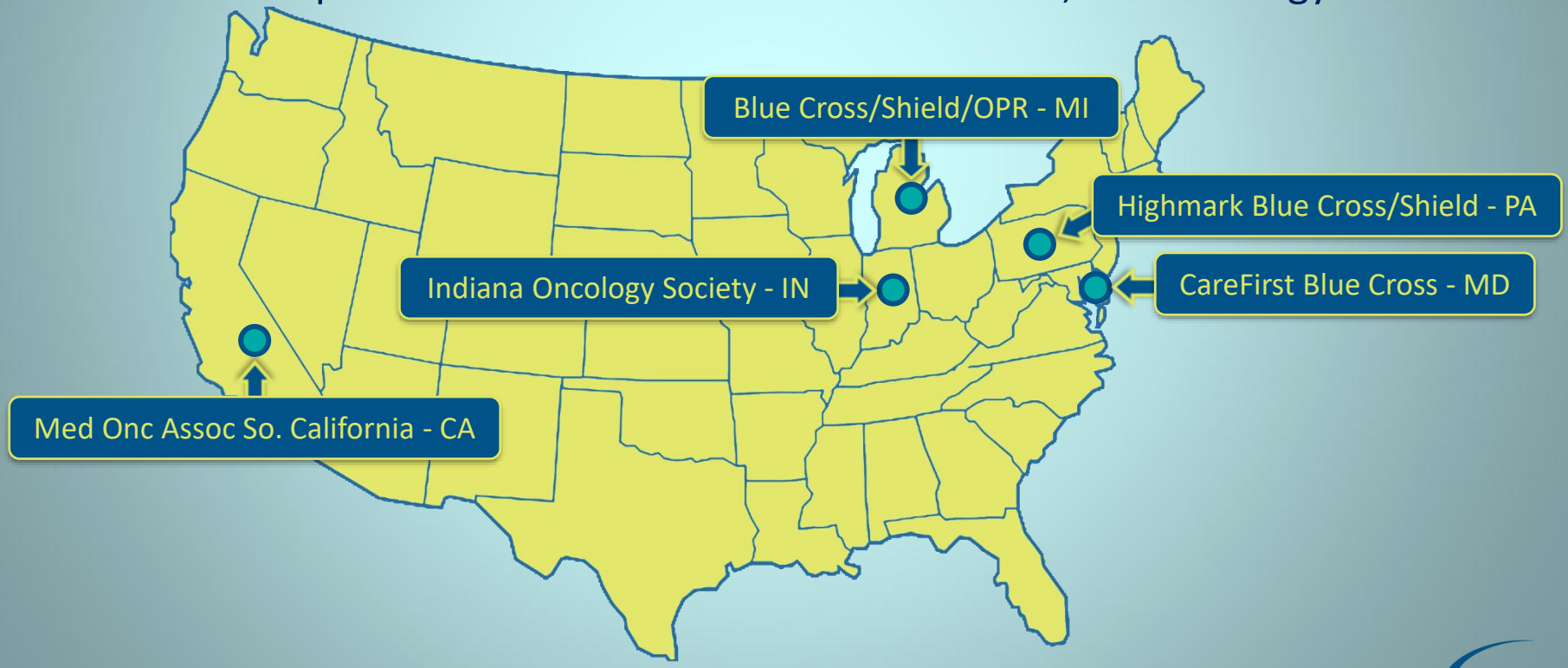
1. U.S. healthcare is criticized as being fragmented, inefficient, inaccessible and terribly expensive
2. In response, U.S. healthcare is undergoing a transformation from "volume-based" fee-for-service to something that is "value-based." Catalyzed in large part by federal health reform -- the Affordable Care Act ("ACA")
3. As a high cost service with high variability, cancer care is subject to particular scrutiny
4. Alternative payment model (APM) initiatives are crystallizing the transformation. Premise: without meaningful payment reform, you don't get meaningful delivery reform

Chronology of Alternative Payment in Oncology

Circa	Description
1990	Medicare- DRG 481 BMT bundled rate
2008	Health Plan-initiated drug pathways programs
2009	United Healthcare “episodes” pilot
2010	Oncology Medical Home - reduced overall spend thru pro-active care coordination
2012	Oncology ACO – add hospital to oncology medical home
2012	Bundled price – procedure/treatment specific
2013	Bundled price – cancer type specific
2014	2nd Generation Health Plan Initiatives - Anthem CCQP; Aetna OMH; United Healthcare episodes 2.0 + head & neck bundles
2015	CMMI Oncology Care Model (OCM)

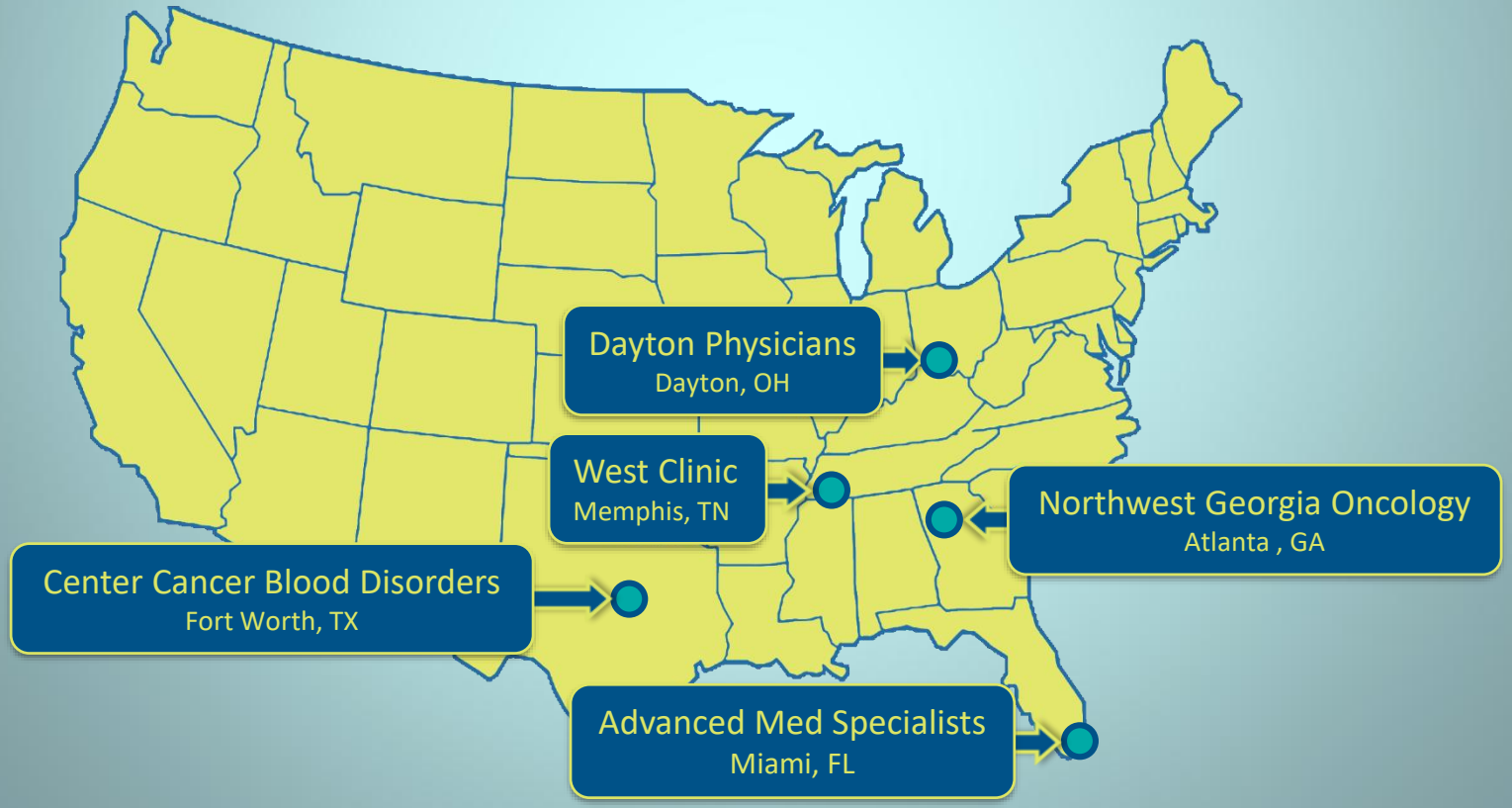
Drug Pathways Compliance (2008-2010)

Health Plans discover the cost effectiveness of adherence to evidence-based pathways. Oncologists paid a premium for compliance with pathways, often incentivized as a premium on % drug mark-up and exemption from pre-authorization requirements. Vendors such as Cardinal P4; Via Oncology.



United Healthcare Episode Pilot (2009-2012)

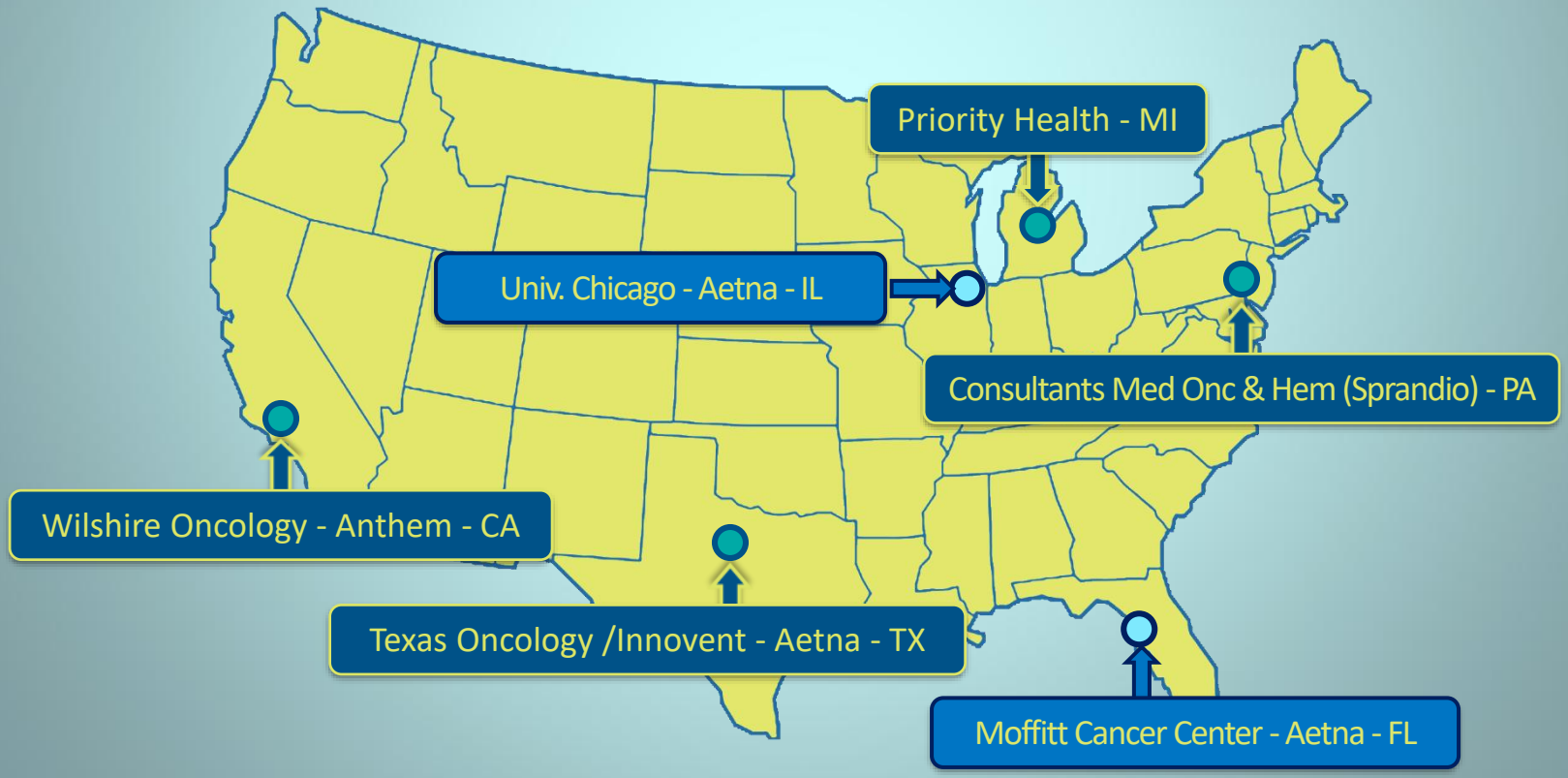
UHC episode payment model. Pre-pay of drug margin replaces “buy & bill” mark-up. Five practices nationally. Results: $33M net savings in UHC’s total cancer spend over 3-year study period. 11% per year. Paradoxically, drug spend increased in the UHC pilot. UHC Phase 2 launched 2015. 11 participating practices.



Oncology Medical Home (2010-2015)

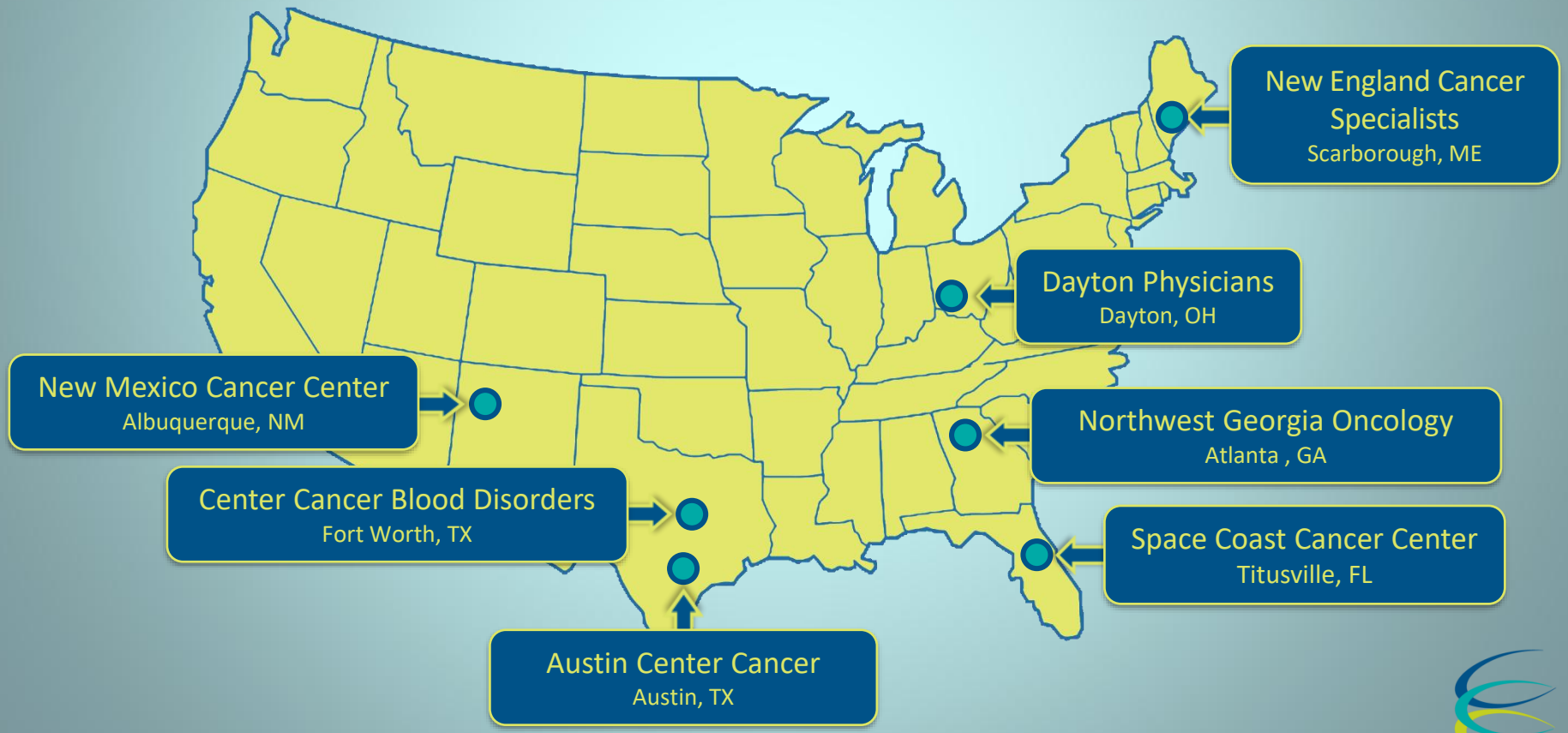
Enhanced payment for 3 core functions: (1) pathways compliance , (2) pro-active care coordination (keep Tx patients out of the ER) and (3) disciplined advance care planning. Early lesson learned: don't do it w/o Health Plan reciprocity.

OMH shown to reduce the overall cancer spend by about 12%



"COME HOME" (2012-2015)

$19M CMMI grant to demonstrate that Oncology Medical Home can achieve savings in Medicare's cancer spend. 7 practices nationally. Concluded June 2015



Oncology Medical Home – Source of Savings

Source	% Reduction
Drug pathways compliance	1.0% to 3.0%
Avoidable ER utilization	0.6% to 1.1%
Avoidable hospital admissions	4.0% to 7.0%
Diagnostics (imaging, lab)	0.2% to 0.5%
End-of-life care management	0.9% to 1.9%
Total potential savings	6.7% to 13.5%

References:
(1) John D. Sprandio, MD, Consultants in Medical Oncology & Hematology. Oncology Patient Centered Medical Home ® Analysis of OPCMH savings conducted by third party actuary 2010.
(2) How Oncologists are Bending the Cost Curve. *Oncology Times*. January 10, 2013.

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About 2/3 of the savings comes from avoidable hospital events.

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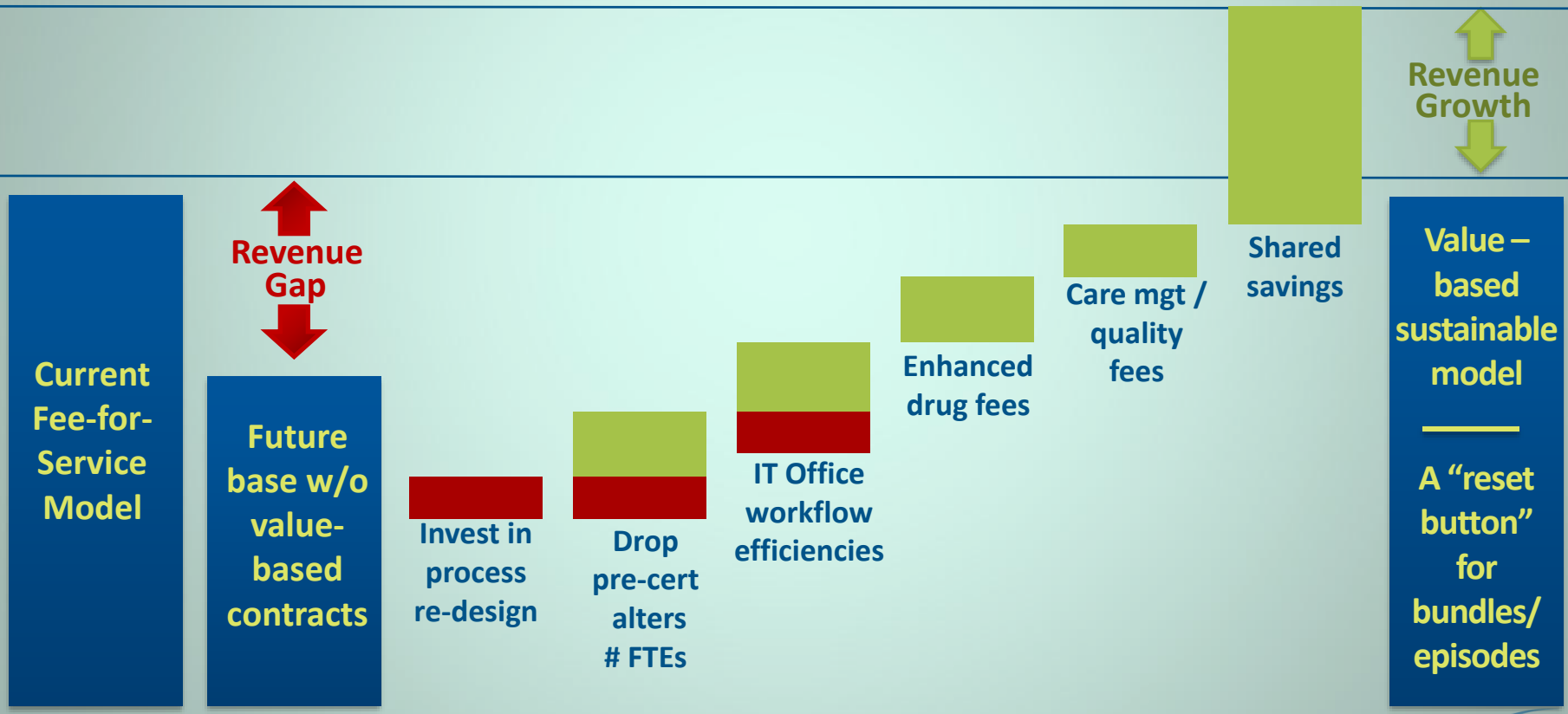
Oncology Medical Home – Practice Perspective

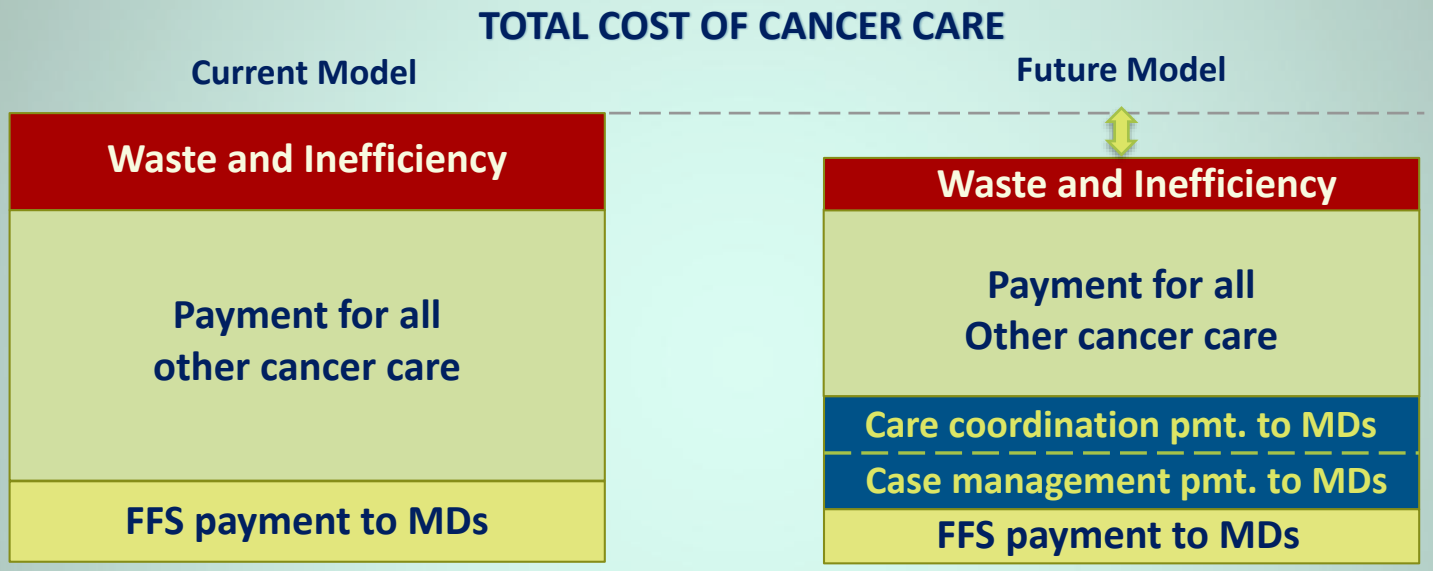
Goal: to create a reimbursement model designed around new sources of value that will be sustainable through and post healthcare reform



Adopted from Aetna Oncology Medical Home. October 2014.

Oncology Medical Home - Payor Perspective

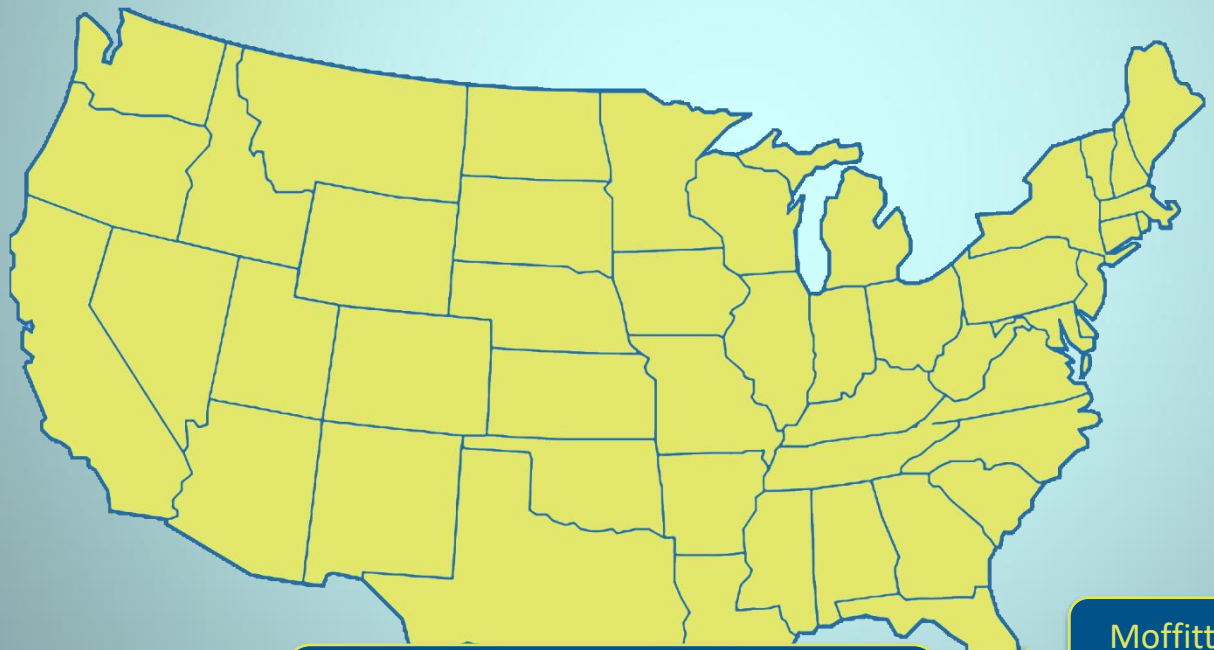
Goal: to achieve meaningful oncology payment reform



Adopted from Aetna Oncology Medical Home . October 2014.

The Oncology ACO (2012-2013)

Add a hospital to an Oncology Medical Home and you get an Oncology ACO. Expands the scope of services to broader continuum of care. Shared saving on total spend. The more you get into the scope, the bigger the economic "pie."

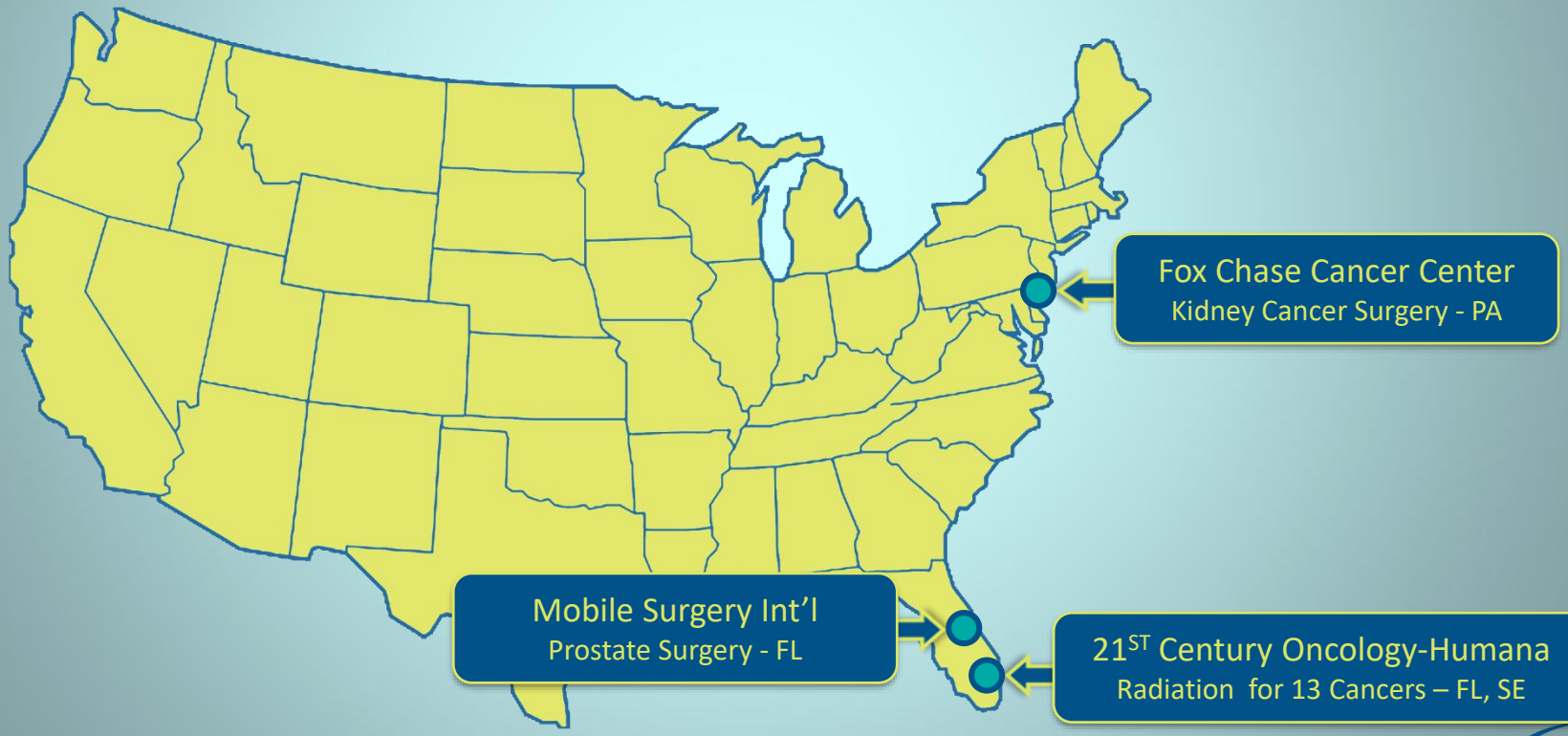


Moffitt Cancer Center - FL Blue
Tampa, FL

Baptist Health - Advanced Med Specialties - FL Blue
Miami, FL

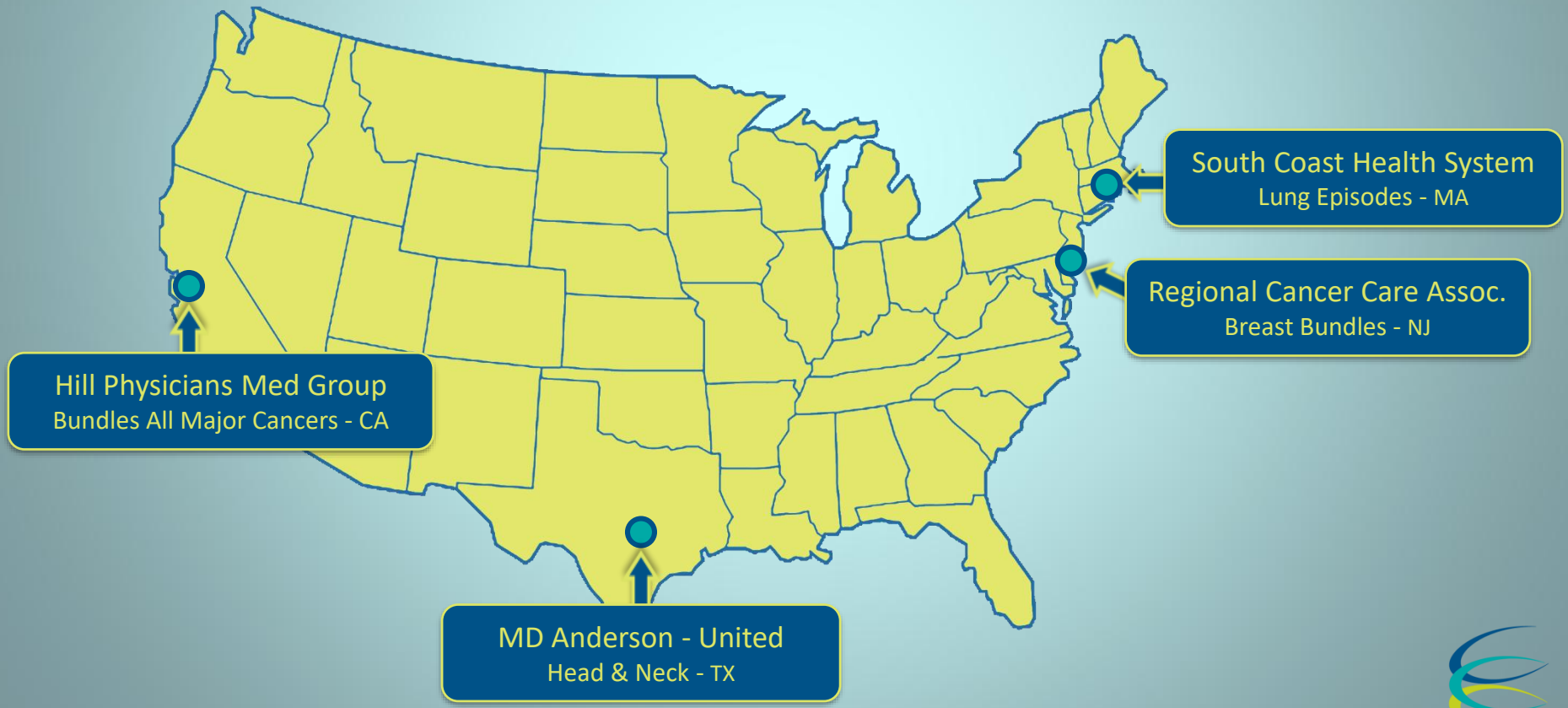
Bundled Price - Procedure Specific (2012-2015)

A set price for a defined scope of services specific to a cancer treatment or procedure, such as radiation or complex cancer surgeries.



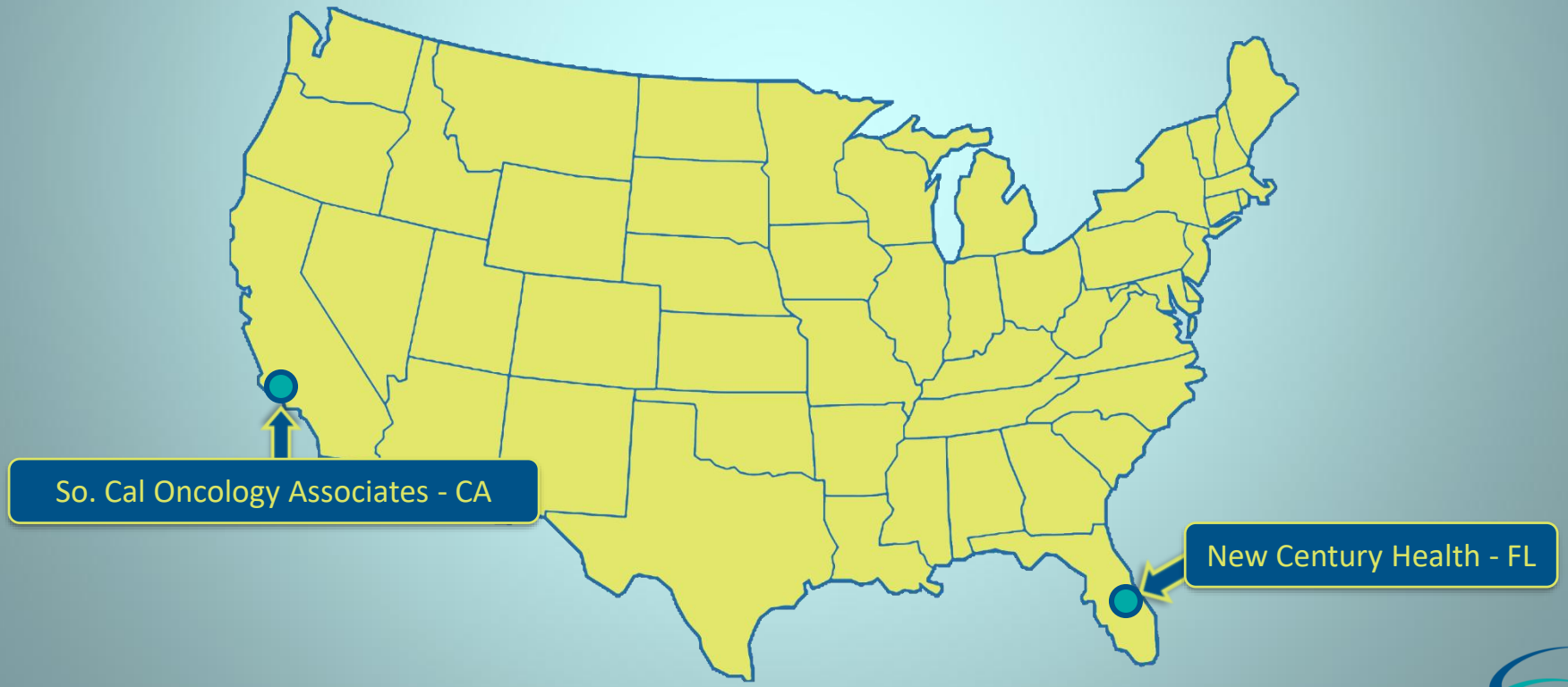
Bundled Price – Cancer Type Specific (2013-2015)

A set price for scope of services specific to a cancer type, such as breast, colon, lung. Hill Physicians Medical Group implemented oncology bundles in 2008 – this may represent a prototype for oncology bundled pricing with ACOs.

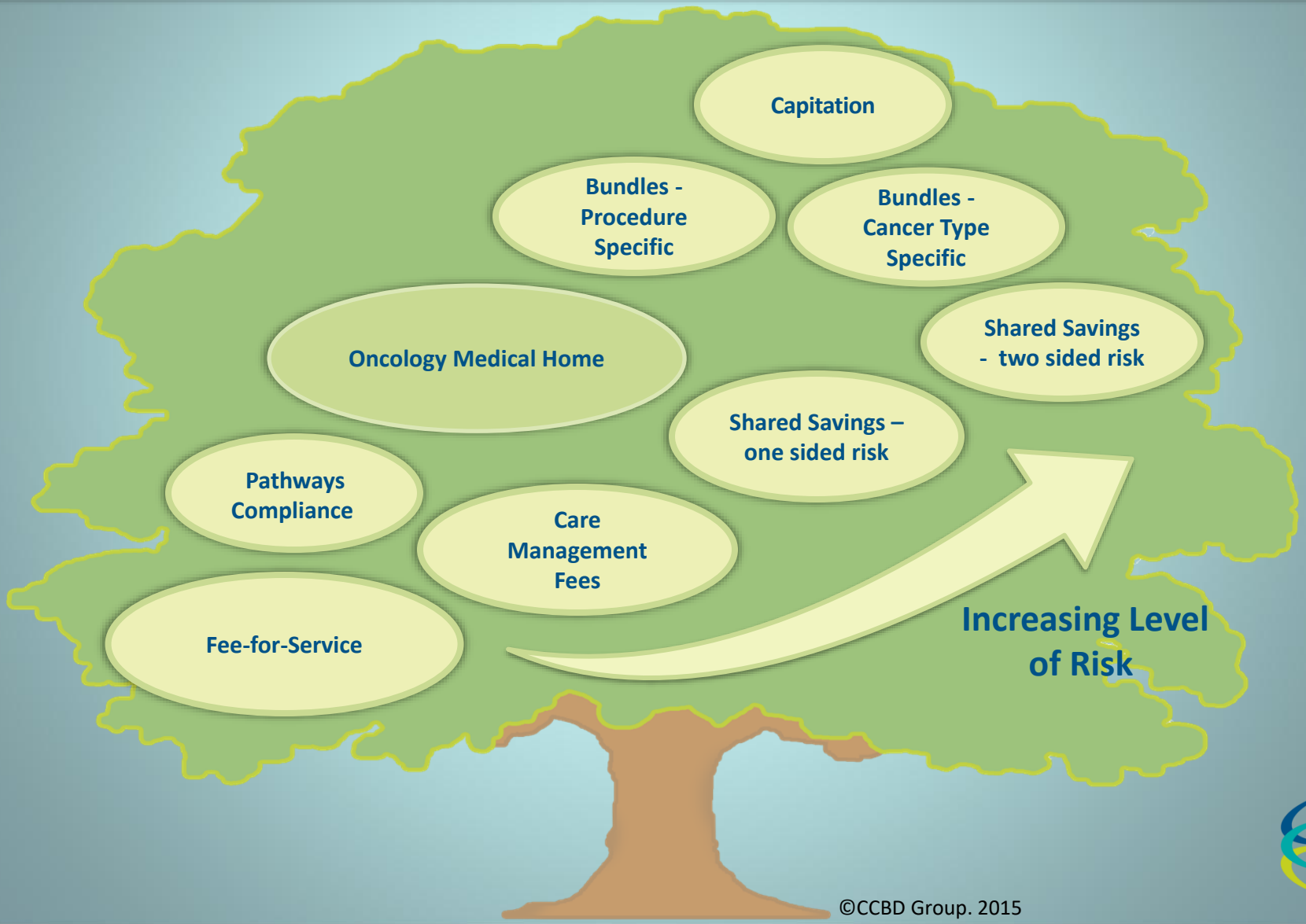


Some Capitation "One-Offs" (2010-2015)

Oncology provider paid on basis of per member per month rate (capitation) for population served. Found in tightly managed markets – requires narrow networks.



Family Tree of Alternative Payment in Oncology



CMMI-Oncology Care Model (OCM)

- **Purpose is to:** Create incentives to furnish efficient, high quality care by enhancing services for Medicare fee-for-service beneficiaries undergoing chemotherapy treatment for cancer
- **And to:** Demonstrate reduced overall Medicare expenditures for the care of those same beneficiaries
- **Eligibility:** Physician practices that provide care for oncology patients undergoing chemotherapy for cancer (includes private and hospital-affiliated practices)
- **Participation:** Applications: June 2015; Acceptance: Dec 2015. About 125 practices expected (out of 450 letters of intent filed)
- **Commence Program:** Spring 2016

CMMI-Oncology Care Model (OCM)

- **Targeted Cancers:** Covers "high volume cancers", which will include at least: breast, prostate, lung, colorectal, lymphoma, leukemia, ovarian, pancreatic
- **Multi-Payer Program:** Intended to involve commercial health plans running parallel with their own "OCM-like" programs
- **Two Part Payment Approach**: Per beneficiary per month (PBPM) care management fee ($160) plus performance-based payment based on savings against target price (OCM payments are in addition to standard Medicare fee-for-service payment)
- **Episode Period:** Total cost of care during a 6-month "episode" of care commencing with initiation of chemotherapy
- OCM is an Oncology Medical Home model

CMMI-Oncology Care Model (OCM)

- **Included expenditures:** Includes all Medicare Part A, Part B and certain Part D expenditures during the six-month episode of care (if patient on oral chemo, but not Part D, then no episode triggered)
- **Practice requirements:** Must satisfy six basic "practice requirements"
- **Quality & performance metrics:** 32 preliminary quality and performance improvement metrics (similar to what is measured/reported in various quality programs currently)
- **Risk option:** One-sided risk for first two years with option to convert to two-sided risk thereafter

OCM Practice Requirements

1) Patient access 24/7 to clinician who has real time access to practice's medical record
2) Attestation and use of ONC-certified EMR
3) Utilize data for Continuous Quality Improvement (CQI)
4) Provide core functions of patient navigation
5) Document care plan in accordance with IOM
6) Chemotherapy treatment consistent with nationally recognized clinical guidelines

OCM Quality Measures

Quality measure domains:

1) Clinical quality of care
2) Communication and care coordination
3) Person and caregiver centered experience and outcomes
4) Population health
5) Efficiency and cost reduction
6) Patient safety

Data sources:

1) Practice-reported
2) Medicare claims
3) Patient surveys

List undergoing refinement – to be finalized prior to practices signing agreements

OCM Economics for a 10 Oncologist Practice

Description	Year 1	Year 2	Year 3
Est. avg. overall expenditure/episode	$41,800	$41,800	$41,800
Est. Medicare FFS chemo pts/year	450	450	450
Care mgt fees ($160 x 6 = $960)	$432K	$432K	$432K
Benchmark expenditures	$18.8M	$18.8M	$18.8M
Less: CMS discount (4%)	$752K	$752K	$752K
Target Price	$18M	$18M	$18M
Overall expenditure savings target	8%	9%	10%
Est. actual exp. (includes care mgt fees)	$18M	$17.9M	$17.3M
Gain (target price less actual exp.)	$0	$100K	$700K

OCM Economics for 10 Oncologist Practice

Description	Year 1	Year 2	Year 3
Gain (target price less actual exp.)	$0	$100K	$700K
Times performance multiplier	80%	85%	90%
Performance based pmt (defer to YR 2)	$0	$85K	$665K
Add back care mgt fees	$752K	$752K	$752K
Est. total OCM pmts to practice	$752K	$837K	$1.47M
Less: OCM-specific staffing	$225K	$225K	$225K
Less: OCM-specific IT programming	$75K	$0	$0
Net margin to practice from OCM	**$452K**	**$612K**	**$1.2M**
Est. payments from others (Anthem, Aetna, United, etc.)	**$120K**	**$145K**	**$160K**

Where Is It Headed? Tipping Point

May 2014	Anthem Cancer Care Quality Program	$350 per treatment patient per month for pathway + care coordination. Now in 13 states
June 2014	UHC episode findings published	Saves $33M in total spend = 11% savings per year over 3 years. Small "n" = 810
Oct 2014	Aetna Oncology Medical Home Program	Enhanced generic drug fees; "S" codes; shared savings
Dec 2014	MD Anderson – UHC	Bundled prices for head & neck cancers. All care for one year. May add lung, prostate
Feb 2015	CMMI - OCM	Per episode care management fee plus performance-based pay (a.k.a. shared savings)
Apr 2015	Medicare Access & Chip Reauthor Act (MACRA)	Mandates PFS transition from value-based to merit-based pay (MIPS) by 2019
June 2015	ASCO Value Framework	Starts the comparative effectiveness dialogue: clinical benefit-toxicity-cost
July 2015	Comprehensive Care for Joint Replacement (CCJR)	CMS mandates hip & knee bundled price in 75 markets – analogy for oncology?

Where Is It Headed? Cat's Out of the Bag

1. The market forces driving the transition from volume-based to value-based care aren't going away
2. If you do pathways compliance + pro-active care management + disciplined advance care planning (the core features of Oncology Medical Home), you can cut the cancer spend by about 12%
3. There will be continued interest in narrow/preferred networks consisting of those providers who can demonstrate a differentiating value proposition
4. Health Plans will continue selective experimentation with APMs
5. CMS will learn from OCM and will push for assumption of 2-sided shared savings risk in OCM year 3 - 2019
6. This all could be precursor to shift of financial risk to providers
7. In oncology risk is likely to be translated as bundled/episode pricing
8. Timeframe: plays out over next 3-5 years

What Can You to Do About It?

1. Practices should be driving the transformation locally
2. Market assessment: got any motivated health plans or other key players (ACOs, IDNs, employers/coalitions)?
3. Organizational assessment: cultural and operational
4. Define scope of services: what are you good at/what can you deliver? How will you control variation – avoid outliers?
5. Economic analysis: identify total expenditures for your particular scope of services (professional, technical, hospital, other); claims history and true cost analyses; is there a pony in there? Identify the arbitrage opportunity
6. Impact analysis: financial and operational impact on the practice. What, if anything, is the risk of doing nothing?
7. "GO/NO GO" decision. Now or later?
8. Negotiate, implement , monitor, refine/course correct

Questions - Discussion

- **What is the current state of alternative payment initiatives in oncology?**
- **Where is it likely headed?**
- **What to do about it?**
- **Thank you for your interest in today's topic: *Oncology Payment Reform: What's In/Out?***

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