



Oncology Webinar Recap: High Cost of Cancer Drugs Forces Payors, Oncology Practices to Respond With New Payment Models

MADISON, NJ, Nov 10, 2011 (MARKETWIRE via COMTEX) - Oncology drugs traveled under the managed care radar screen for many years, but commercial and government payors alike now view these medications as potential budget busters and are launching new payment models to address escalating costs.

As payors become more proactive in managing the costs of cancer care, community practice oncologists, already dealing with government-mandated caps on drug-cost markups, continue to face significant economic pressures that threaten the sustainability of their business operations.

How can these two stakeholder groups cooperate to deliver high-quality patient care while keeping costs under control?

That was the focus of an October 25 webinar presentation that featured a pair of panelists - a managed care executive and a senior practicing oncologist at a major oncology specialty group.

Dean H. Gesme Jr., M.D., a medical oncologist in private practice with Minnesota Oncology in Minneapolis, explained how the Medicare-mandated ASP + 6% reimbursement model has significantly hurt the profitability of oncology practice.

"This has been especially so with small community-based offices," Dr. Gesme said. "That's why many small practices are being forced to merge with larger ones or exploring other options, like joining 340B hospitals, which have a high level of uninsured or uncompensated care and where manufacturers are required to extend deep discounts on covered outpatient drugs."

The other panelist, John Fox, M.D., is Associate VP of Medical Affairs at Priority Health, a Michigan-based HMO. Priority Health is piloting a program to convert the margin on the drug to a model that would pay oncologists their drug acquisition cost plus a flat monthly case management fee. The fee would be based on the total drug margin paid in the prior year divided by the number of oral and IV chemotherapy months.

With this model in effect, Dr. Fox says, "the fee would be independent of the complexity of the therapy - IV or oral - or the cancer type."

Other key issues that the two panelists addressed during the discussion included:

- **Comparative effectiveness research** – According to Dr. Fox, there are likely to be more studies looking at the relative effectiveness of oncology therapies, with plans putting incentive programs in place to drive physicians towards the most cost-effective agents.
- **Impact of ACOs** -- Both panelists agreed that oncology care is likely to be the last territory accountable care organizations (ACOs) will conquer, given the complexities of staging, neo-adjuvant and adjuvant chemotherapy, changes in radiation therapy, effect of functional status on treatment, and maintenance chemotherapy, among others. "There is plenty of lower hanging fruit [for ACOs]," Dr. Fox says, "such as primary care, chronic conditions and elective surgical care."
- **Biomarkers face tough challenges** – Despite the increasing role that biomarkers play in cancer diagnosis and therapy selection, many tests still face reimbursement challenges – in part, according to Dr. Gesme, "because they haven't been adequately validated or shown clinical utility or relevancy."

The discussion also dealt with pricing issues related to targeted biologics (specifically how to spread the cost of therapy over increasingly small patient populations), and ways in which pharmaceutical and biotechnology manufacturers can engage payors in the R&D process for pipeline drugs.

The webinar was hosted by Reimbursement Intelligence, Inc., of Madison, NJ, a leading firm in managed care and reimbursement issues and producer of custom market research, syndicated reports, and training programs on reimbursement. Gene Trogan, PhD, Director, Commercial Analytics and Market Access at Reimbursement Intelligence, moderated the program.

For additional information about the webinar and for all presentation materials, please click here: [oncology webinar](#), or visit www.reimbursementintelligence.com.

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