Advising the Congress on Medicare issues

Bundling oncology services

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MEDPAC

Value-based incentives for managing Part B drug use

- Current FFS policies result in beneficiaries not obtaining best value
- Least costly alternative (LCA) policies and bundled approaches would improve Part B drug spending value
- Some have reservations about Medicare's role in developing LCA policies
- Bundled approaches permit clinicians to decide on the value of drugs and might also lead to improved care coordination

Today's session

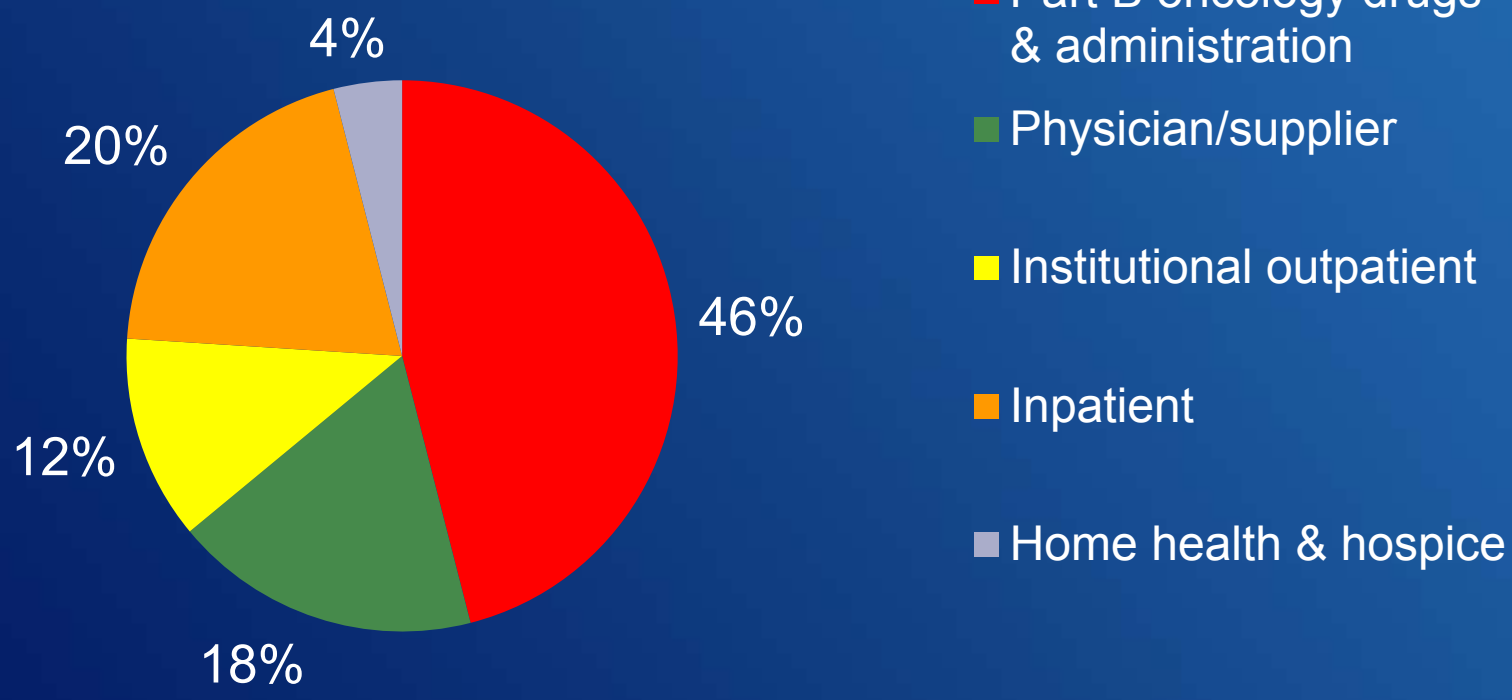
- Focus on bundling Part B oncology drugs
  - These drugs accounted for half of 2013 Part B drug spending in physicians' offices: $11.7 billion
  - Oncologists received 45% of the total spending
- Preliminary findings from exploratory analysis that examined Medicare spending for oncology services
- Key design elements for bundling services
- Case studies on bundling approaches for oncology services

Exploratory analysis to examine spending for oncology services

- Used Master Beneficiary Summary File and 100% claims files
- Identified ≈ 61,000 beneficiaries newly diagnosed in 2011-2012 with breast, lung, or colon cancer who received Part B oncology drug between January 2011-June 2012
- Defined episode as 180 days following first Part B oncology drug claim
  - Average episode length ≈ 162 days
  - About 20% of beneficiaries died during episode

Medicare spending for newly diagnosed lung, colon, and breast cancer

180-day episode spending averaged nearly $41,000 per beneficiary



Source: MedPAC analysis of the 2010-2012 Master Beneficiary Summary File and 2011-2012 100% claims files from CMS.
Data are preliminary and subject to change.

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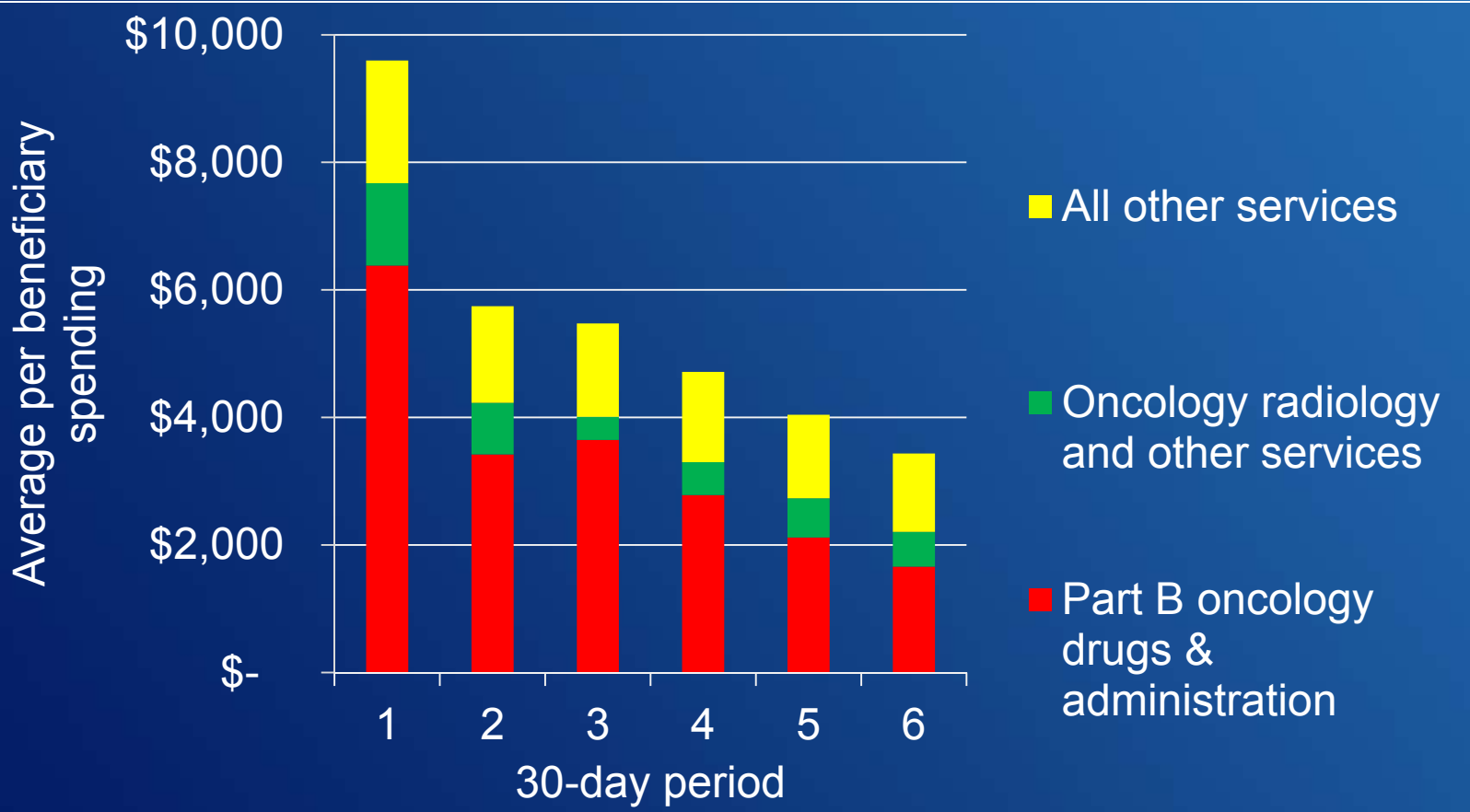
Spending for physician/supplier and institutional outpatient services



Study population consists of beneficiaries newly diagnosed with lung, colon, and breast cancer.
Source: MedPAC analysis of the 2010-2012 Master Beneficiary Summary File and 2011-2012 100% claims files from CMS.

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Key design elements for bundling payment

- The services included in the bundle
  - Narrow approach (oncology drugs and administration costs) vs. broad approach (all services)
- The duration of the bundle
  - Short (one month) vs. longer (one year)
- Trigger event
  - Cancer diagnosis and the initiation of treatment

Key design elements for bundling payment (continued)

- The type of payment
  - May be a fixed price paid to the provider prospectively or a benchmark used to adjust net payments to the provider retrospectively
- Adjusting for risk
  - Options include using measures of disease severity and cancer type and stage
- Countering the incentive to stint
  - Options include assessing patient outcomes

Bach, et al. bundling concept (2011)

- Relatively narrow bundle
  - Defined by an oncology event or episode
  - Covers the costs of chemotherapy drugs and administration
- Incentives
  - Use low-cost but effective drugs
  - Patients must receive accepted standard of care
  - Would need to address issues such as cost shifting, upcoding, and stinting on care

UnitedHealthcare and MD Anderson pilot for head and neck cancer

- Broad bundle for narrow set of conditions
- Three-year pilot of total cost of care bundle
  - United and MD Anderson negotiated prospective payment amount
  - No extra funds for complications
- Multidisciplinary team decides best course of treatment for patient (surgery, radiation, chemotherapy etc.)
- Simplified from patient perspective – only one bill to pay

UnitedHealthcare oncology episodes

- Goal: remove revenue incentive to prescribe one drug over another, strengthen incentive to prescribe on quality basis
- Most services still paid under FFS
  - Drugs are paid ASP + 0%
  - Flat episode fee instead of drug add-on
- A further incentive to reduce overall spending was the potential for shared savings, if groups:
  - Lowered the total cost of care
  - Improved the survival rate for the episode
- Between 2009 and 2012, reduction in total spending, but increase in drug spending

CMMI Oncology Care Model (OCM)

- Eligibility: oncology practices willing to engage in practice transformation
- Episode design: 6-month episode triggered by initiation of chemotherapy (either Part B or Part D)
- Quality elements: 39 measures in 7 domains, including adherence to practice requirements, mortality, hospitalizations, other process measures

CMMI OCM (continued)

- Payment elements:
  - FFS (drugs paid at ASP+6%) + $160 PBPM
  - Performance-based bonus payments, from subset of quality measures
  - Shared savings relative to benchmark including all Parts A, B, and D spending
- Potential concerns:
  - PBPM: may lead to better management, may increase total Medicare spending
  - Shared savings: may reduce costs, but no requirement for two-sided risk lowers that incentive

For Commissioner discussion

- Bundled approaches permit clinicians to decide on the value of services
- Exploratory data analysis found that oncology drugs & administration account for nearly half of total six-month episode spending
- We welcome Commissioner feedback on design of bundled oncology approaches