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June 3, 2013

Contact: Rebecca Reid

(410) 212-3843

New Study: Share of Outpatient Chemotherapy Administered in Hospitals Increases by More Than 150% Since 2005; Medicare Policies Cited as Reason for Alarming Trend

Significant shift in the site of cancer care increases costs for seniors and Medicare, sequester cut to cancer drugs threatens to accelerate shift

Chicago, IL – A new study released today by The Moran Company (Moran) finds that between 2005 and 2011 the relative number of chemotherapy administration procedures performed in hospital outpatient settings for Medicare Fee-for-Service (FFS) beneficiaries increased by more than 150 percent (13.5% in 2005 to 33.0% in 2011) as compared to administration in physician community cancer clinics. The study, sponsored by The US Oncology Network, Community Oncology Alliance, and ION Solutions, also reports that Medicare payments for chemotherapy administered in hospital outpatient settings have more than tripled since 2005 while payments to physician community cancer clinics have actually decreased by 14.5 percent.

The study documents that in 2005, when Medicare fundamentally changed reimbursement for cancer care, more than 85 percent of the chemotherapy was administered in physician-run community cancer clinics. A 2011 study by Milliman¹ demonstrated that the care of a cancer patient receiving chemotherapy costs Medicare \$6,500 less per patient per year and a Medicare beneficiary \$650 less when the care is managed in a community cancer clinic rather than the hospital outpatient setting. More than an estimated 60 percent of cancer patients in the United States rely on Medicare to cover their medical costs for cancer care. Medicare reimbursement policies have resulted in an unlevel playing field causing the shift from less expensive community cancer clinics to the hospital setting. If the trend is not reversed, seniors, Medicare, and taxpayers will pay much more than is necessary to fight cancer.

“Whether deliberate or unintended, current government policies threaten the delivery of quality, efficient care for seniors fighting cancer. Chemotherapy has been delivered in the physician office setting safely and cost-effectively for decades. This disturbing trend is turning back the clock on modern cancer care without any clinical justification,” said Scott Kruger, MD of Virginia Oncology Associates.

The Moran study confirms what most analysts already know: federal policies have created perverse economic incentives favoring hospital-based cancer care over less expensive care provided in the physician office setting. “The Community Oncology Alliance has been collecting data about cancer clinic closures and hospital acquisitions for several years. The Moran study quantifies what we have been seeing — cancer care is consolidating towards the higher cost setting,” said Ted Okon, Executive Director of the Community Oncology Alliance. “Unfortunately, the Medicare sequester cut is accelerating this shift in cancer care by forcing some clinics to send seniors to the hospital for treatment

and others to consider merging with hospitals. Congress and the White House have to act immediately before the bank is permanently broken for seniors and Medicare.”

Key findings in the Moran report include:

- The share of chemotherapy administration in the hospital outpatient setting increased from 13.5% in 2005 to 33.0% in 2011, relative to the physician clinic setting.
- From 2005 to 2011, Medicare payments for administration of chemotherapy in the hospital outpatient setting tripled from \$98.3 million to \$300.9 million, while Medicare payments for physician clinic chemotherapy administrations decreased by 14.5% from \$507.5 million to \$433.8 million.
- The share of Medicare payments for chemotherapy administration in the hospital outpatient setting increased significantly from 16.2% in 2005 to 41.0% in 2011, relative to the physician clinic setting.
- Medicare payments for chemotherapy drugs for Medicare FFS beneficiaries in the hospital outpatient and physician clinic settings both have increased since 2005, with payments to hospitals more than doubling from 2005 to 2011 (\$905.4 million to \$2.03 billion) and payments to community cancer clinics increasing by 32% (\$2.63 billion to \$3.47 billion).
- The hospital outpatient share of Medicare chemotherapy drug payments increased from 25.6% in 2005 to 37% in 2011, relative to the physician clinic setting.
- Despite the significant increase in the hospital outpatient share of chemotherapy administration, the physician clinic setting still remains the dominant site of service for Medicare FFS beneficiaries receiving chemotherapy.

"It's time that the President and Congress woke up and realized that cancer patients and the nation's cancer care delivery system are at serious risk," said Jeff Vacirca, MD of North Shore Hematology Oncology Associates. "Their misguided policies, like the sequester, are driving up costs for patients and Medicare, and quality is suffering. Every person in this country needs to understand how serious this is and hold our elected representatives accountable to fix this mess."

To access the full Moran analysis, visit www.legislink.com.

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ⁱ Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy. Milliman, October, 2011.