Role of Pathways and Novel Payment Strategies in Oncology Care in The US Oncology Network

Michael Seiden, MD, PhD
Senior Vice President and Chief Medical Officer
McKesson delivers in-depth understanding of oncology

- Technology and clinical operations expertise by working with >3,000 oncologists
- EHR technology serving 1,500 physicians
- Clinical pathways in use by 1,000 physicians
- >50 value-based contracts built on pathways and quality metrics
- 300 peer-reviewed publications in 2013
Understanding costs of cancer care

Cancer patients:
- Comprise <1% of commercially insured population
- Account for 10% of costs
- Cost 6x more than diabetes patients
- Costs escalating 15% per year (3x more than overall healthcare spending)
- Only ~30% have had end of life discussions

• Average annual cancer-related costs for any cancer member = $49,000
  • Patients on active chemotherapy = $111,000

Sources:
- Milliman Benefit Designs for High Cost Medical Conditions, 2011
Payers Concerned about Startling Cost Growth

Driving Interest in Payment Reforms

- **0.68%** Cancer patients as a percentage of total commercially insured population
- **10%** Cancer costs as a percentage of the total health care costs incurred

Annual Rate of Cost Growth

*For Commercial Patient Population*

- Overall: 9%
- Cancer: 20%

Context and trends

...to minimize impact of expensive care settings

Sources:
The Moran Group, Results of Analyses for Chemotherapy Administration Utilization and Chemotherapy Drug Utilization, 2005-2011 for Medicare Fee-for-Service Beneficiaries: May 2013
Milliman, Comparing Episode of Cancer Care Costs in Different Settings: An Actuarial Analysis of Patients Receiving Chemotherapy: August 2013
Common Cancer Therapy Management Tools and Trends

- **Prior Authorizations**¹
  - 86% of payers utilize
  - 59% of those that don’t **will** within the next 18 months

- **Clinical Treatment Pathways**¹
  - 46% of payers use pathways
  - 43% of those that don’t **will** within the next 2 years

- **Other Management Tools Commonly Used by Payers (>50% of payers)**²
  - Compendia listing guideline requirements
  - Quantify limits
  - Tying drug approval to diagnostic tests/biomarkers
  - Require specific lab or diagnostic values
Numerous Approaches to Realigning Incentives

Goal to Reduce Spending While Improving Quality

Payment Models Piloted in Oncology

**Complexity and Financial Risk**

- **Fee Schedule Adjustments**
  - Adjustments to payments to incent greater use of generics, or better payment rates in return for quality initiatives

- **Pathway Compliance Bonus**
  - Bonus payment for reaching pre-determined pathway compliance rate

- **Episode-Based Pay**
  - One payment for select component of treatment, can include case management; remainder is FFS

- **Diagnosis/Treatment Bundle**
  - Single payment to both hospital and physician for all services related to care delivered within pre-defined episode

- **Shared Savings**
  - Providers at risk for population; services billed FFS and providers share in savings if cost kept below pre-determined benchmark
UnitedHealth Culls Doctors From Medicare Advantage Plans
Physicians in 10 States Notified; Insurer Cites 'Funding Pressure' From Federal Government
By MELINDA BECK
Updated Nov. 16, 2013 8:00 p.m. ET

Doctors cut from Medicare Advantage networks struggle with what to tell patients
By Ariana Eunjung Cha, Published: January 25

AARP Medicare plans end relationship with Moffitt Cancer Center
By Stephen Nohlgren and Jodie Tillman, Times Staff Writers
Friday, October 4, 2013 2:35pm

Insurer Cuts Medicare Plan Doctors — Patients Left In Lurch
November 15, 2013 | By MRANDA ROSENBERG | OP-ED, The Hartford Courant
### How?
Bend the cost curve through focus on quality patient care

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Modifiers</th>
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</thead>
<tbody>
<tr>
<td>Cost of chemo drugs</td>
<td>Pathways and guidelines</td>
</tr>
<tr>
<td></td>
<td>Tiered drug fee schedule</td>
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<tr>
<td>Avoidable hospital utilization</td>
<td>Care Management / Patient Support Services</td>
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<tr>
<td>End of life care</td>
<td>Advance care planning</td>
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<tr>
<td>Ancillary services</td>
<td>Pathways and Guidelines</td>
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<td></td>
<td>Payment structure</td>
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</tbody>
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Success requires physician engagement and aligned incentives

Solutions for Oncology
Pathways Development
Key Guiding Principles

- **Review the evidence: science comes first**
  - Based on the strongest available data for efficacy, balanced with toxicity

- **80/20 Rule:**
  - Recommend therapies that work for the majority of patients

- **Find the balance point:**
  - Maximize patient benefit and financial accountability for healthcare expenditures

- **Always make clinical trials the first choice for “On-Pathway”**
  - Support cancer research

- **Pathway is reviewed at least yearly**
  - Participating oncologists are encouraged to provide feedback
Level I Pathways have demonstrated lower costs without a difference in survival outcomes

On-Pathway care contributes to lower cost, with consistent clinical outcomes

<table>
<thead>
<tr>
<th>NSCLC</th>
<th>On-Pathway</th>
<th>Off-Pathway</th>
<th>Cost Savings (On vs. Off)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Med Oncology Cost</td>
<td>$18,042</td>
<td>$27,737</td>
<td>$9,695</td>
</tr>
</tbody>
</table>

35% reduction in total medical oncology costs

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Cost Per Case-Adjuvant</td>
<td>$103,379</td>
<td>$156,020</td>
<td>$52,641</td>
</tr>
<tr>
<td>Total Cost Per Case-Metastatic</td>
<td>$131,059</td>
<td>$191,222</td>
<td>$60,163</td>
</tr>
</tbody>
</table>

Reduction in total cost per case: 34% Adjuvant; 31% Metastatic

Outcome

- Lower cost for chemotherapy
- Fewer hospitalizations
- Lower overall healthcare cost
- Equivalent health outcomes - No difference in 12-month overall survival for those patients treated on-pathway vs. off-pathway

Neubauer, Cost-Effectiveness of Evidence-based Treatment Guidelines for the Treatment of NSCLC in the Community Setting, JOP, 6:1.
Hoverman, Pathways, Outcomes, and Costs in Colon Cancer: Retrospective Evaluations in Two Distinct Databases, JOP 7:3S
Level I Pathways Equivalent Health Outcomes – Overall Survival by Pathways Status

Overall Survival Probability

Time

3 mos 6 mos 9 mos 12 mos

On-Pathway (n=1,095)

Off-Pathway (n=314)

* Neubauer, et al., Cost Effectiveness of Evidence-Based Treatment Guidelines for the Treatment of Non Small Cell Lung Cancer in the Community Setting. JOP 2010;6:1
Pathways Adherence: Variation Within The US Oncology Network

The chart illustrates the percentage of assessable data for both off-PW and on-PW categories across different categories labeled A to P. Each category is divided into two sections—one for off-PW and one for on-PW, with the assessable data represented by green triangles.
Value Pathways powered by NCCN and Clear Value Plus
Value Pathways powered by NCCN

Physician-led clinical pathways

Co-developed with NCCN

NCCN Guidelines®

Value Pathways powered by NCCN
Value Pathways Quarterly Review Process

1. Task Force initiate a Pathway Update or Creation from Updated NCCN Guideline

2. Conduct Evidence Review
   - Begin Development of Clinical Tools
   - Begin Building Clinical Logic

3. Seek Feedback from Research Committee re: Proposed Pathway

4. Open Comments
   - Seek Feedback from All Clinicians Re: Proposed Pathway

5. Submit to P&T for Approval

6. Implement NEW or REVISED Pathway
   - Communicate to and Educate Clinicians of Key Changes

7. Finalize & Release Clinical Tools
   - Finalize & Release Clinical Content
   - Guidelines & Pathways Updated in Clear Value Plus as Released

Quarterly Kick-off

Month 1

Month 2

Month 3

Reporting and Benchmarking

- Each Pathway will have 3 NCCN Guideline panel member representative

This process occurs every quarter with each Pathway reviewed at least 1-2 times per year but potentially up to 4 times per year.
Clear Value Plus technology enables Guidelines and Pathways at the point of care

Clear Value Plus

- Access to NCCN Guidelines® & Value Pathways powered by NCCN
- Ability to interface with EHR systems
- Scalable across multiple sites
- Financial transparency
- Real-time reporting & benchmarking
- Supports billing office functions
Benefits of Clear Value Plus and Value Pathways

- Helps practices deliver quality cancer care
- Increases financial transparency
- Eases the burden of documentation
- Supports the ability to participate in value-based programs with payers
Pharmacoeconomic Submission Process

Guidelines for Submissions:

The Pathways Task Force will consider data that may be useful in evaluating the pharmacoeconomic impact of a treatment option for inclusion in a Value Pathway. These data may refer to either FDA approved or off label indications for drugs and biologics used for cancer treatment, or supportive care associated with the regimen.

- Any questions regarding the submission process should be directed to: msh.pathways@mckesson.com.
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New EOC Program Models

- An “episode” consists of:
  - A drug margin payment, pre-negotiated and paid up-front
  - Hospital E&M care, paid up-front (small $$$)
  - A fixed care management fee (small $$)

- Separately:
  - Episode-covered drugs are paid at ASP+0%

- Paying drugs at ASP reduces provider risk
Episode definition

- Breast, colon, and lung primary dx only
  - Broken into 21 ‘Payment Conditions’

- Three broad categories of episodes:
  - Adjuvant w/chemo – episodes centered around chemo and begin on C1D1
  - Adjuvant w/o chemo – A management Fee is paid upfront.
  - Metastatic – episodes continue every four months as long as the pt is under care of the practice, regardless of therapy
Pricing and risk

- Practice allowed to propose the ‘selected’ regimens – think Pathways ho

- The negotiated margin payment is paid, even if different drugs are used
  - Even if the physician stops a regimen early, the margin is paid
  - Metastatic margin pick-up is large due to prescribing patterns
  - For metastatic pts quarterly margin paid even if patient is not treated with drugs
Measurement

- Payer has national total costs for three groups in the program Colon, Breast, and Lung Cancer both for adjuvant and metastatic disease.

- Practice receives 1/3 of net savings of total cost as compared to national average.

- Total costs include inpatient and ER events, imaging and end-of-life care.

- The recent UHC paper showed increased overall drug costs but a 34% reduction in total cost of care.
In Summary: A Network-Wide Quality Program…Why Now?

- The Value Proposition is Changing
  - FFS reimbursement is evolving toward *payment for specific outcomes*, processes, and successfully managing the care of a population
  - Increased attention to quality will become an *essential business practice in the world of value-based pay*
  - Practices that start building a quality infrastructure now will be in position to *define and lead the transition to value-based pay*, as well as exploit early opportunities.