Part B drug and oncology payment policy issues

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Outline of presentation

- Part B drug payment policy options
  - Restructuring ASP add-on
  - Limit on ASP growth
  - Consolidated billing codes
  - Restructuring the Competitive Acquisition Program
- Part B drug dispensing and supplying fees
- Case studies on improving efficiency of oncology services
  - Risk-sharing agreements
  - Clinical pathways
  - Oncology medical homes
  - Oncology episodes-of-care

Background on Part B drugs and Medicare payment

- In 2014, Medicare and beneficiaries spent over $20 billion on Part B covered drugs paid 106% of ASP, including:
  - Drugs administered by physicians and outpatient hospitals
  - Certain drugs furnished by DME and pharmacy suppliers
- ASP is the average price realized by the manufacturer for sales to all purchasers (with some exceptions) net of rebates, discounts, and price concessions
  - The prices individual providers pay for a drug may differ from ASP for a variety of reasons (e.g., price variation across purchasers, 2-quarter lag in ASP payment rates, prompt pay discounts)

Policy option: Restructuring the ASP add-on

- The 6% add-on may incentivize use of higher-priced drugs, although few studies have examined this issue
- Policy option: 103.5% of ASP + $5 per drug per day
- Savings of about 1.3% ($270 M per year assuming no utilization changes)
- Add-on increased for drugs with ASP per administration less than $200; decreased for others
- Reduces Part B drug payments to outpatient hospitals, ophthalmologists, rheumatologists, and oncologists; increases payments to primary care physicians

Data are preliminary and subject to change

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Implication of policy option

- May increase the likelihood of substitution of a low-priced drug for a high-priced drug in situations where therapeutic alternatives exist
- Some small purchasers might have difficulty purchasing expensive drugs at the Medicare rate, but this would depend on how manufacturers respond to the payment changes
- If some oncology practices had difficulty purchasing drugs at the Medicare payment rate, it might contribute to the trend toward more hospital-based oncology care

Policy option: Limit on ASP growth

- No limit on how much Medicare's ASP+6 payment rate for an individual drug can increase over time
- Median ASP growth for the 20 highest-expenditure drugs has exceeded inflation since 2010
- Policy option: Place a limit on how much Medicare's ASP+6 payment for a drug can increase over time
- Could be operationalized via a manufacturer rebate or a limit on growth in ASP+6 rates paid to providers
- Who bears financial risk depends on the approach
  - Manufacturers would bear the risk with a rebate
  - Providers would bear the risk with a limit on growth in the ASP+6 rates paid to providers

Policy option: Consolidated billing codes

- Single-source drugs and reference biologics receive their own billing code and are paid based on their own ASP, which does not promote strong price competition among products with similar health effects
- Policy option: Put products with similar health effects in the same billing code
- Biosimilars and the reference product
  - Could consider placing all these products in one billing code based on FDA's determination that they are biosimilar
- Other drugs and biologics with similar health effects
  - Secretary could develop a process to obtain clinical input to identify products with similar health effects

Competitive Acquisition Program (CAP)

- Voluntary CAP Program: July 2006 - Dec. 2008
- Physicians who enrolled obtained CAP drugs through a Medicare selected vendor
  - Vendor supplied drug to physician
  - Medicare paid physician for administration of drug
  - Medicare paid vendor for drug and vendor collected drug cost-sharing from beneficiary
- Vendor selected and prices set through competitive bidding process. One vendor participated.
- Program faced challenges due to low physician enrollment and vendor having little leverage to get favorable prices

Policy option: Restructuring the CAP program

- Voluntary program but encourage physician enrollment by:
  - Offering shared savings for physicians,
  - Reducing or eliminating the ASP add-on in traditional buy-and-bill system, and
  - Restructuring CAP to be a stock replacement model or a GPO model
- Permit vendor to operate a formulary and provide vendor with shared savings opportunities
- Beneficiaries also share in savings through lower cost sharing if prices are lower

Part B dispensing and supplying fees

- Total spending of $155M on these fees in 2014
- Dispensing fee for inhalation drugs is $33 per 30-day supply and $66 per 90-day supply
- Supplying fee for oral anticancer, oral anti-emetic, and immunosuppressive drugs is $24 for 1st script and $16 for each additional script in a 30-day period
- These dispensing and supplying fee rates were set in 2006 based on limited data
- OIG reported that Medicare Part D and Medicaid paid dispensing fees of less than $5 per script in 2011

Improving the efficiency of oncology services in FFS

- Part B Medicare spending for anticancer drugs administered in offices and HOPD is substantial
- Prior exploratory data analysis found that oncology drugs and administration account for nearly half of total six-month episode spending
- In MedPAC's June 2015 report, we began to examine approaches for bundling oncology services including Part B oncology drugs and biologics

Four case studies

- Two case studies on narrower approaches
  - *Risk-sharing agreements* attempt to get a better price for drugs
  - *Clinical pathways* attempt to make providers more sensitive to the cost of anticancer drugs
- Two case studies on broader approaches
  - *Oncology care medical homes* attempt to redesign care delivery
  - *Episodes-of-care* hold providers financially accountable for anticancer drugs and other outpatient and inpatient services

Risk-sharing agreements

- Goal: improve the value of drug spending
- Agreements between payers and product developers that link a drug's payment to patient outcomes
- Under an agreement with United Kingdom's National Institute for Health and Care Excellence, the product developer assumes cost of bortezomib for patients who do not respond to therapy
- The product developer provides a refund (or replacement product) to the payer for nonresponders
- Patient response is based on a biomarker for disease progression

Clinical pathways

- Goal: reduce prescribing variability, improve quality of care, and reduce costs of care
- Pathways are evidence-based treatment protocols used by commercial payers and providers that identify specific treatment options based on clinical benefit, minimizing toxicity risk, strength of national guideline recommendations, and cost
- Some providers have developed their own pathways while others use pathways developed by third-party vendors
- Link providers' payment to pathway adherence

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Oncology medical homes

- Goal: improve health outcomes, enhance patient care experiences, improve timeliness and coordination of care, and reduce costs of care
- COME HOME model
  - CMS awarded grant to seven medical oncology practices to implement and test a medical home model of care delivery for Medicare FFS, MA, Medicaid, and commercially insured patients with seven cancer types
  - Practices' capabilities included: Triage pathways, same-day appointments, extended and weekend hours, clinical pathways, and patient education
  - Three-year grant ended in 2015

UnitedHealthcare oncology episode-of-care

- Goal: remove revenue incentive to prescribe one drug over another and 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
- Between 2009 and 2012, reduction in total spending, but increase in drug spending
- Upcoming CMMI Oncology Care Model tests episode approach

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Summary

- Draft recommendation on dispensing and supplying fees
- June 2016 report issues:
  - 103.5% ASP + $5 per drug per day
  - Limit on ASP growth
  - Consolidated billing codes
  - Restructuring CAP program
  - Risk-sharing agreements
  - Clinical pathways
  - Oncology medical homes
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