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Bundled Payments Come to Cancer Care

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Joe Carlupe, for HealthLeaders Media, March 11, 2013



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When UnitedHealthcare first met two years ago with five oncology medical groups that volunteered to participate in a bundled payment program designed to reduce costs for cancer care, there was definitely

uncertainty, but "nobody came into this kicking and screaming," says Lee Newcomer, MD, an oncologist and vice president of oncology for UnitedHealthcare, a Minnetonka, Minn.-based health benefits company with 2012 revenues (through September 30) of nearly \$77 billion and earnings from operations exceeding \$6 billion.

"Everyone knew the world of healthcare had to change," Newcomer says. "Everyone was eager to try something new."

Their target: to evaluate 19 clinical scenarios for breast, colon, and lung cancer and identify the best practices for the care of those patients. Each group selected the chemotherapy it believed was the best and agreed to participate in measurement of those results.

As the five physician groups evaluated their chemotherapy selections for early-stage breast cancer, the cost of treatment proposed varied greatly, Newcomer says. There was also a wide variation in the number of imaging tests physicians believed they needed to evaluate relapsed patients with breast, colon, or lung cancer.

"Clearly some groups are doing far more radiology studies than others and getting the same results," Newcomer says. UnitedHealthcare and the physicians worked on "standardizing the tests to decrease utilization."

As time went on, the physicians and insurer worked to minimize variations of care, reaching agreements for breast, colon, and lung cancers. Physicians receive an up-front payment for the episode that is equal to the drug margins they used to receive from their previous fee schedule. Fee-for-service vanished, but the drugs are always reimbursed at cost, even if changes are made. It was only November 2010, and UnitedHealthcare was testing the bundled episode payment approach with five medical oncology groups for more than 430 patients.

Bundling is one of the new payment models being scrutinized across the country as a way to get a handle on skyrocketing service line costs, including those for oncology programs. These models, which include accountable care organizations, have a twist: Providers and insurers are teaming up instead of facing off. Under the bundling initiatives, payments are made for multiple services under what is termed an episode of care for a patient. Instead of a surgical procedure generating multiple claims from many providers, the entire team is compensated with a bundled payment with the thought that such a move would provide incentives for more efficient care. Medicare now makes separate payments to providers for services, leading to what CMS has called "fragmented care" with minimal coordination.



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Under a bundled savings program, there is an incentive for providers to share in any savings, and it can increase physicians' payments with improved patient outcomes. Physicians "have the opportunity to be paid more for the work they do taking care of patients," Newcomer says. In addition, he says physicians have a "chance to mold and influence a new payment model."

Establishing the bundling program is a complicated structure, and UnitedHealthcare learned a lesson the hard way. While the insurance leaders believed they could quickly tally outcome measures, it didn't turn out that way. "It takes a large number of patients to identify a statistical difference," Newcomer says, referring to oncology patients whose treatment costs were included in the bundling. "Cancer costs can vary by 100% routinely, and detecting a difference among those wide swings means that we needed nearly 700 patients before we could begin the analysis," he adds.

The Northwest Georgia Oncology Centers physicians are among the groups working with UnitedHealthcare on the episode of care payment plan, says Bruce J. Gould, MD, medical director of the organization, which has 10 treatment centers and more than 20 physicians; he also is a staff physician at WellStar Kennestone Hospital in Marietta, Ga. Gould acknowledges that there are risks involved for physicians in the bundling package.

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J. Kuriyan (3/11/2013 at 11:40 AM)
 United is actually teaching a very valuable lesson to providers: Healthcare costs and reimbursements are "zero sum" transactions. For too long drug companies with the complicity of powerful provider trade organizations have perpetrated the contrary myth that drug costs are just 10% of total medical costs and urge mass usage of drugs like statins- even when benefits are minimal for most people. "Why take a chance? Insurance will pay," is their usual compelling argument. Kaiser has fought this valiantly for many years. For those providers who insist on using brand name drugs when generics are just as effective, Kaiser points out the success of outcome of the more cost conscious doctors - sharing the others into considering costs as well. Next, if United can persuade the feds to allow them to import expensive drugs from India for their Medicare enrollees, we will see a huge surge in United's Advantage and Part D programs!

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