Pulling the Plug on Cancer Drugs

by Lee E. Mortenson, D.P.A.

Well, how bad can it get? When we all saw the preliminary rule that the Centers for Medicare and Medicaid Services (CMS) issued a few months ago, we groaned. Now, we can grieve. CMS apparently thinks that providers should "share" in funding Medicare. In its final rule for hospital outpatient care, Medicare will pay hospitals less than the cost of acquiring the drug. That's right: hospitals will lose money every time they treat a patient with cancer!

Because Medicare's data seemed far out of touch with the reality we were hearing from hospital pharmacies and cancer program administrators, ACCC commissioned a study by Abt Associates Inc., to determine what hospitals were really paying for cancer drugs.

Sixty-five hospitals provided Abt with data that it could use for its analysis, fewer than the number required for the high level of statistical validity needed to project the results to the entire universe. (A number of hospitals contacted Abt and ACCC concerned that their suppliers' privacy agreements would be breached by sharing the information we requested.) While the sample is smaller than we would like, noteworthy is the fact that the data from these 65 hospitals indicate that under the final rule *only one drug* out of the top 15 most frequently used cancer drugs will be paid more than breakeven. Of course, CMS is also not paying for any of the pharmacy costs of compounding these drugs, let alone storage, wastage, or disposal.

For some reason, oncology drugs *are* special. They have been singled out to be losers.

Ridiculous, you say? Well, I can't figure it out either. Apparently CMS doesn't like oncology drugs. Oncology drugs cost too much to develop, and they cost too much once they are developed. The bottom line, oncology drugs cost too much for CMS.

So, CMS wants manufacturers to charge Medicare less for oncology drugs and to discourage manufacturers from developing new chemotherapy agents. The end result will be to destroy the "places" that provide oncology drugs to patients by hurting them every time they give a patient with cancer an appropriate therapy.

Of course these actions won't hurt the manufacturer directly; but, when hospitals close their oncology units and/or refuse to continue to give patients chemotherapy and supportive care, manufacturers will certainly be discouraged from investing in new drug development and high-cost effective therapies.

Just in case the manufacturers think that lowering their prices will help, let me tell you that it won't. As manufacturers lower their prices, CMS will simply lower its reimbursement payments. Under this rule, hospitals will *not* be able to make money on chemotherapy—just forget that idea entirely. Cancer patients who depend on hospital cancer centers for treatment, research, and other support can forget that, too.

And, now that we've made hospitals the low-cost chemotherapy delivery environment, isn't now a good time to pay physician offices less than their costs for cancer drugs? This action will certainly force patients with cancer back to the hospitals, which will have to treat them even if they are losing money on each and every patient.