Surviving Changes to the OPPS

One community cancer center analyzed 2002 reimbursement data to understand its 2003 bottom line.

BY PATRICK HOZ

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While the health care community is inundated by countless articles analyzing Medicare payment cuts, expiring medication pass-through payments, and changes to cancer-related APCs for Medicare patients, very few of these studies offer concrete ways to deal with the bleak financial future facing cancer programs. Hospitals and physician practices are on their own as they try to work out ways of staying solvent and still provide quality cancer care.

At the David and Donna Long Center for Cancer Treatment in LaMesa, Calif., we conducted a financial analysis of our 2002 reimbursement data and our payer mix to understand how the final 2003 hospital outpatient prospective payment system (OPPS) would affect our bottom line. The data from this analysis were used to extrapolate our 2003 reimbursement payments.

The 10 year-old Long Center for Cancer Treatment is located on the Grossmont Hospital campus in La Mesa, Calif., and is part of the Sharp HealthCare System. The comprehensive cancer center is a freestanding, outpatient department of the hospital and houses a laboratory, pharmacy, outpatient infusion service, diagnostic X-ray department, CT scanner, radiation therapy, a cancer registry, a social work department, dietary counseling, a patient library, and physician offices.

Medical oncology and radiation oncology services are provided by two affiliated physician groups. The medical oncology group consists of two full-time medical oncologists and two full-time physician assistants. The radiation oncology group employs two full-time radiation oncologists. All members of the center's support staff (nurses, pharmacists, physicists, dosimetrists, therapists, medical assistants, and administrative staff) are employees of the hospital.

Our medical oncology practice averages about 100 new patient visits and 1,000 return patient visits per month. Radiation oncology averages about 50 new consults and 150 follow-up visits per month. An average of 55 radiation oncology patients are treated per day. Historical volumes for our infusion service are displayed in Figure 1.

HOW WE DID IT

We began our analysis by examining all the Medicare services we provided during fiscal year (FY) 2002. Working with the financial and billing departments, we compared the reimbursement payments received in 2002 against the proposed 2003 rates, calculated from CMS's Addendum B. Assuming that patient volume stays the same next year, we predicted a 19 percent decrease in reimbursements for Medicare patients in 2003. These changes are summarized by service in Table 1.

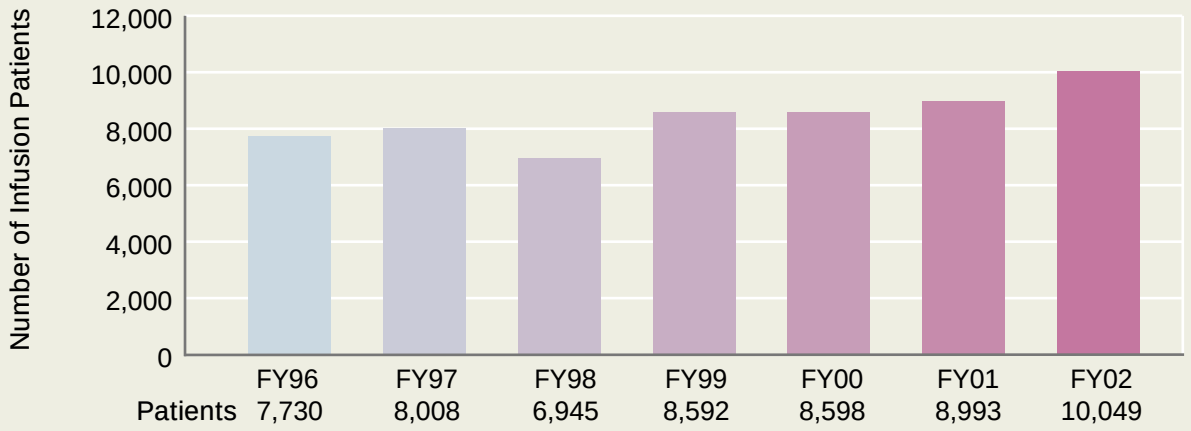
Drugs Reimbursement for drugs continues to decline, making it increasingly important for program leaders to investigate possible alternatives, especially in the supportive care drug market. The 34 percent decrease anticipated in pharmacy revenues is mostly due to the 2003 expiration of pass-through payments for most cancer drugs. When we looked at each drug's 2002 reimbursement level individually, we were surprised by the results. Approximately 53 percent of the expected $630,304 loss was attributed to just three drugs—epoetin alfa, rituximab, and transtuzumab—none of which are classified as chemotherapy agents. In 2002 Medicare reimbursed our center $694,877 for epoetin alfa. The projected 2003 reimbursement is $512,034. Our hope is that identifying the biggest "money-losers" will allow us to find a way to minimize our financial risk.

The losses associated with expiring pass-through payments will not be made up by increases in reimbursement for administration costs, which will decrease by 18 percent. In our analysis, codes specific to chemotherapy administration (injections, phlebotomy,

Table 1: A Comparison of 2002 and 2003 Medicare Reimbursement

Medicare Services FY 2002	2002 Reimbursement	2003 Reimbursement	Total Variance	Change
Pharmacy	$1,847,378	$1,217,074	($630,304)	(34%)
Infusion center	$382,294	$313,060	($69,234)	(18%)
Radiation therapy	$576,057	$711,598	$135,091	23%
Laboratory	$12,057	$8,738	($3,319)	(28%)
Facility fees	$180,674	$178,825	($1,850)	(1%)

Figure 1: Infusion Center Volume, David and Donna Long Center for Cancer Treatment

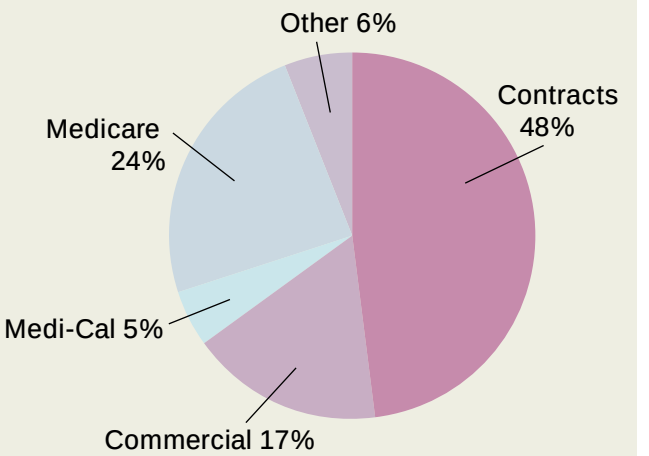


blood transfusions, etc.) showed an estimated decrease of 9 percent for 2003. We are uncertain about how to offset these losses.

Radiation Services Not all the news was bad. Our center expects a 23 percent increase in reimbursement for radiation oncology services since complex radiation therapies will be paid at higher rates in 2003 (with the exception of brachytherapy). We hope that newer programs not considered in this analysis, such as IMRT, will also help offset other projected losses.

Laboratory Services Because many of the lab services for Medicare patients are bundled into other APCs, a number of lab codes showed zero reimbursements for both 2002 and 2003. We estimate that the lab services reimbursed according to CMS's Addendum B will be paid at a rate 28 percent lower than the 2002 figures.

Figure 2: 2002 Payer Mix, David and Donna Long Center for Cancer Treatment



TYING IT ALL TOGETHER

If our estimates are correct, our center will experience a 19 percent reduction in reimbursement for Medicare services, which comprise 24 percent of our total business. By looking at our payer mix (see Figure 2), our best chance of making up some of the proposed losses may lie in our ability to negotiate favorable contracts.

Our advice for other community cancer centers is to perform similar analyses to help administrators understand the intricate relationship between changes in Medicare payments, payer mix, and the cancer center's bottom line, and to find errors in reimbursement that could lead to increased payments in future years.

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