Shutting Down Medicare: Getting Ahead of the Feds

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

Recent conversations with our friends on Capitol Hill have been disconcerting, to say the least. Of course, we're attempting to do something trivial—fix a broken hospital payment system that is paying 20 percent less than it actually costs hospitals to acquire oncology drugs, let alone store, mix, or handle the drugs in any way. Capitol Hill is also attempting to fix a broken Medicare system faced with escalating health care costs and an economy that has not yet recovered from its slump. (When the economy does revive, so do taxes and then budget deficits disappear, as if by magic.)

To take care of their Medicare problem, some Hill mavens are considering cutting about $200 billion out of Medicare provider payments over the next 10 years. With that in mind, anything that we accomplish to restore payments for oncology drugs is nothing less than a miracle. As you can imagine, some of these same Hill sources were not encouraging about providing medical oncologists with much relief from the impending drug margin cuts because the tight budget constraints they are facing do not allow for "give-backs."

At the same time that Medicare is considering eliminating margins from physician offices, other insurers are jumping ahead and doing it on their own. The congressional idea of average sales price (ASP) has been adopted by at least three insurers that are coming up with their own version and adding between 7.5 and 12 percent to their estimates. Without a doubt, if both private and public insurers do this at the same time, we will see chemotherapy in physician offices disappear faster than a speeding bullet.

Picture this. If physician offices close (probably anywhere from 6,000 to 8,000 sites), then hospitals will have to treat four times as many chemo patients. This increase will quadruple the hospital's losses and they will have no choice but to shut down their oncology progams. Of course, Congress will get the brunt of the calls and move to fix the problem: at least that's what we've always speculated. If the deficits are high enough, however, maybe the problem won't be fixed.

In any case, most of the damage will be done. Patient lives will be lost or, at the very minimum, tremendously disrupted. Patients will now have to travel farther for care, and we all know that individuals with cancer are in no shape to travel long distances.

Physicians will not be eager to leap back into the outpatient chemo business after losing substantial amounts of money from unused inventory and office space and having to terminate dedicated staff members. Hospitals that can turn on a dime (if the dime is the size of the Atlantic Ocean) will naturally hesitate to restart their chemotherapy clinics if they have just shut them down. And, why should they bother if they are only at break-even with Medicare patients?

Of course, this drastic scenario may all be a moot point. If we are going to see the Medicare system take these additional cuts, it seems likely that the 50 percent of hospitals already dipping into their reserves are going to be out of business soon anyway.

No matter which way you look at these scenarios, no good can come from these actions.