



Are Hospital-Based Cancer Services More Expensive?

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P RESIDENT'S CORNER

Are hospital-based cancer services more expensive?

Is the cost of hospital-sponsored outpatient cancer care more expensive than the same care in a physician's office? I have often overheard speculation that it is. I would suggest it depends a great deal on whose perspective we are considering.

From the patient's perspective, the "cost" consideration is limited to deductibles, co-payments, and uncovered services or charges. One would have to know the specific coverage provisions of their policy for each setting and the actual prices being charged by alternative providers to determine the "low cost" choice. With respect to Medicare patients, two different hospital-based outpatient models would need to be compared to the physician office. The first is the traditional model where the hospital charges Medicare for its services on an allowable cost basis, and the physician bills adjusted professional fees because they do not assume overhead costs. In the second model, the physician leases the hospital space, provides his own staff, supplies, pharmaceuticals and other overhead expenses. Whether the hospital provides space built to hospital codes or lower cost space affects the hospital's charge to the physician which, in turn, will be reflected in the patient's charge. Whether a physician accepts Medicare assignment in one setting versus the other also makes a difference. Hospitals sometimes require hospital-based physicians to accept assignment. At any rate, the comparison is complicated and the results vary based on the specifics of the situation.

From the payor's perspective, the "cost" is the agreed provider's charge for covered services. Payors and managed care programs often have contractual price arrangements with providers. With the exception of high-cost inpatient services, such as bone marrow transplant and open

heart surgery, contracted prices for inpatient and outpatient care most often apply to all diagnoses, not just cancer. Theoretically, the low-cost outpatient cancer provider in the area may not represent the low-cost provider of comprehensive services from the payor's perspective. Thus the question may be answered one way for one disease and the opposite way for another.

From the overall community's perspective, the cost of all cancer-related assets will ultimately be passed on through provider pricing structures. This is particularly true for self-insured businesses and direct payors. When community health services are unnecessarily duplicated, the overall cost to the community is likely to increase even when the newest provider charges less than existing providers. Seldom are all of the fixed costs of existing providers avoidable. The question then becomes who pays more and who pays less.

Finally, the touchy issue of utilization patterns will affect a cost analysis. As a generalization, it has been demonstrated that physicians use more laboratory and radiology services when they own them.* One might wonder whether the selection of therapeutic alternatives might also be affected by who will bear the cost.

I think it is fair to say that the issue is much more complex than it seems to be at first. The next time someone asks, "Is the cost of cancer care more expensive in a hospital outpatient setting than in a doctor's office," perhaps the correct answer is, "It depends." ■

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* "Frequency and Costs of Diagnostic Imaging in Office Practice—A Comparison of Self-Referring and Radiologist-Referring Physicians," *New Eng. J. of Med.*, Dec. 6, 1990.