Oncology Issues

ISSN: 1046-3356 (Print) 2573-1777 (Online) Journal homepage: https://www.tandfonline.com/loi/uacc20

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Lee E. Mortenson

To cite this article: Lee E. Mortenson (1997) The Unintended Consequences of Moving the Reimbursement Line, Oncology Issues, 12:4, 4-4, DOI: 10.1080/10463356.1997.11904690

To link to this article: https://doi.org/10.1080/10463356.1997.11904690

Published online: 18 Oct 2017.

Oncology Issues
The Journal of the
Association of Community Cancer Centers
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Oncology Issues is published bimonthly at the Association of Community Cancer Centers, Executive Office, 11600 Nebel St., Suite 201, Rockville, MD 20852. Editorial correspondence, changes of address, manuscripts, and letters to the editor should be addressed to: Lee E. Mortenson, Senior Editor, *Oncology Issues*, 11600 Nebel St., Suite 201, Rockville, MD 20852.

Subscription Rates
Basic rate: $20 per year for health care providers; $40 per year for others. ACCC membership dues pay for general, delegate, and chapter member subscriptions. Back issues available for $5 per copy, prepaid. Bulk rates available upon request.

Advertising
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FROM THE EDITOR

The Unintended Consequences of Moving the Reimbursement Line

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

The story features more old fashioned politics than you can imagine and includes blackmail, sudden reversals, back-room plotting, and strange bedfellows. The story is the Hill debate over what to reimburse oncologists for chemotherapy provided "incident to" in their offices. All this scheming is within the oncology and patient advocacy communities and the pharmaceutical industry—although HCFA staff are also playing their own powerful games. What's at stake is the difference between an oncology practice's acquisition and management costs and the level of Medicare reimbursement.

Where Congress draws the line could have a huge effect on where chemotherapy is delivered and whether an oncology practice is viable. Too low and medical oncologists will start shipping patients back to hospital outpatient departments. Too high and congressional budget cutters will not find the savings they seek.

Over the last month the House Ways and Means Committee made it clear that there would be some cuts. Despite congressional visits from ASCO and ACCC leaders, two drafts came out of the Committee with language that stopped the hearts of many: no greater than 95 percent of AWP (with the Secretary of the Department of Health and Human Services setting AWP). Fortunately, the proposals were reconsidered primarily through the hard work of Dr. Joe Bailes with help from Dr. Jim Wade and dozens of other oncologists.

Next rumors flew about Senate Finance cuts of AWP–15 percent!

Then it was back to the language HCFA staff preferred: setting reimbursement at no greater than 95 percent of AWP and giving the Secretary (and therefore HCFA staff) discretion to set an actual price and launch a study.

Where will we end up?

It's difficult to know yet. Coming out of the House Ways and Means Committee, reimbursement stood pegged at exactly AWP–5 percent with commercial sources setting average wholesale price as they do now. The Senate Finance Committee bill sounded a lot like price controls. But a little budget savings here, a little there, and soon we will see dramatic changes in the practice of medical oncology. Congress will be pleased with the savings and surprised by the unintended consequences.

While a case can be made that there are huge percentage profits in some chemotherapy drugs, the actual dollar amounts of the variances between acquisition and AWP are often small and could be readily absorbed in making up the difference between the cost of providing infusions versus HCFA's allowable costs. HCFA's own data suggest that it underpays infusion costs by about $130-$140, while the huge percentages cited by the Senate often equate to differences of from $4 to $20.

Of course there are the other consequences. This will chase oncology patients back to outpatient ambulatory care departments, close a number of rural clinics, and change the role of medical oncologists in the treatment of patients. It will be a further disincentive to young physicians to pursue a career in oncology—one of the few specialties that is already in short supply. And, assuming that hospitals can still make a profit on these patients, it may disappoint congressional budget cutters who are likely to turn on hospital outpatient drug costs next.