

# ICLIO e-Course: A Washington Perspective

Dan Todd

Principal, Dan Todd Strategy

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# Dan Todd

1325 G Street, NW –  
Suite 500  
Washington, D.C. 20005  
202.352.7761  
dan@toddstrategy.com

# Todd Strategy

# Learning Objectives

Deconstructing the political and policy realities of

1. 2016 Elections
2. Industry Consolidation
3. New Payment Models

# The Current Environment

## 6 years since passage of the Affordable Care Act

- Uninsured rate of 9.1%, down from 16%
- Premiums for family coverage have increased 27% in the employer market
- Average deductible for employer coverage increased 44% to \$1,318
- Double digit premium increases in individual market
  - BCBS of Texas requested 59% - - Highmark requested 48%
- Providers accepting risk for the quality of care delivered via alternative payment models
  - 477 Medicare ACOs
- 10 of 23 CO-OPs remain
- Concern with high cost drugs
- Provider and payer consolidation

**... Still a long way to go in the Value Transition**

# 2016 Election - - Presidential

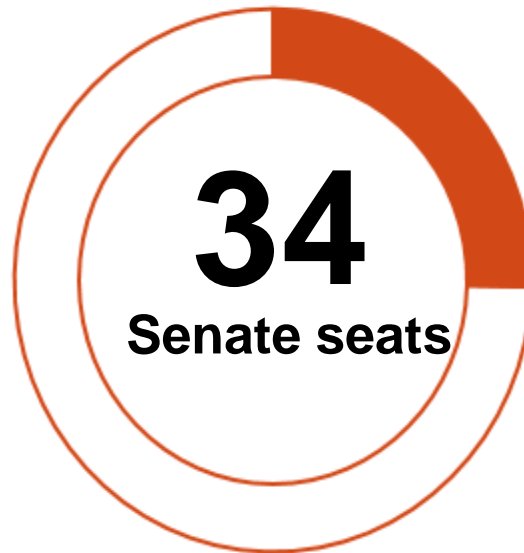


- **Defend the Affordable Care Act** and build on it to slow the growth of out-of-pocket costs
  - **Reduce rising prescription drug prices** and hold drug companies accountable
  - Protect access to **women's reproductive health** care
  - Make premiums more **affordable** and lessen out-of-pocket expenses for **Exchange coverage**
  - Incentivize **Medicaid expansion**
  - Expand health care **regardless of immigration status**
  - Develop a "**public option**"
- **Repeal Obamacare** and eliminate individual mandate
  - Allow the sale of **insurance across state lines**
  - Tax deductions for insurance premiums
  - Allow Health Savings Accounts to accumulate over a life time and without penalty at death
  - Allow **price transparency** for providers
  - **Block-grant Medicaid** to the states
  - Remove barriers to entry into free-markets for **drug** providers and allow **importation**
  - Stop providing health care to **illegal immigrants**

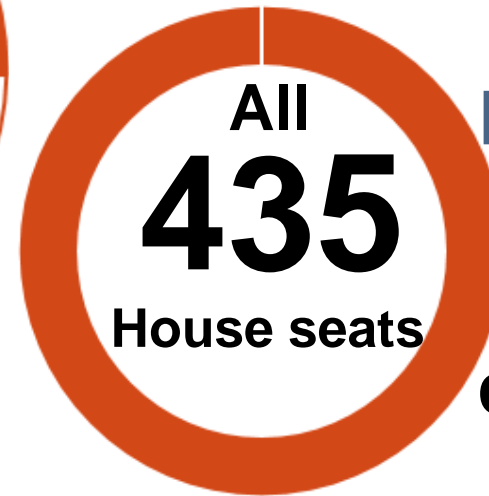
➤ **In January 2017, what will the next president's healthcare priorities be?**

# 2016 Election - - Congressional

**Will the Democrats take back the Senate?**



**Will House Republicans resolve party differences?**



# Industry Consolidation

Sector	2015	2014	Y-o-Y
Behavioral Health Care	38	24	58%
Home Health & Hospice	47	70	-33%
Hospitals	102	99	3%
Laboratories, MRI & Dialysis	52	33	58%
Long-Term Care	356	302	18%
Managed Care	45	22	105%
Physician Medical Groups	88	60	47%
Rehabilitation	30	19	58%
Other Services	177	136	30%
Biotechnology	158	136	16%
eHealth	123	118	4%
Medical Devices	113	111	2%
Pharmaceuticals	169	188	-10%
<b>Grand Total</b>	<b>1,498</b>	<b>1,318</b>	<b>14%</b>

## Health Care M&A Volume

1. **2015** set record for **most annual transactions** (1,498 with \$563 billion valuation)
2. **Low interest rates** and **value transition** credited as two main drivers of industry-wide consolidation
3. **Hospitals** continue strong acquisition pace (102 is most since 1999)
4. **Physician medical groups** have sharp increase in acquisition

➤ **Scale allows for greater control of patient encounters and leverage during negotiations**

# Industry Consolidation - - Payers

 **ST. LOUIS POST-DISPATCH** News Sports Business Gol. Life Buy/Sell

Business

## Missouri insurance regulator to bar certain Aetna-Humana plans

By Samantha Liss St. Louis Post-Dispatch May 25, 2016 (6)

Missouri's top insurance regulator has issued a preliminary order that bars the companies from...selling comprehensive individual, comprehensive small group and certain Medicare Advantage plans...if they complete the \$37 billion deal announced last summer.

## Questions We Should Ask Now

1. **Will Aetna-Humana appeal the order?**
2. **Will the decision set the precedent for other States to take similar actions?**
3. **Will it set the tone for the Federal review?**
4. **How will it impact the Anthem-Cigna merger?**



# Industry Consolidation - - Providers

The Bipartisan Budget Act of 2015 was enacted in November 2015 raising the debt limit, preventing a government shutdown, and establishing two-year budget framework... **But it also takes a step towards Medicare site-neutral payments**

## Site-Neutral Payments

Section 603 – Prohibits new off-campus hospital outpatient department from billing under the Hospital Outpatient Prospective Payment System

- Effective January 1, 2017
- Impacts most items and services furnished
- Must bill under the applicable non-hospital payment system
- Off-campus defined as greater than 250 yards from hospital grounds

## What To Consider

1. This site-neutral policy reduces the incentive for hospitals to purchase physicians practices
2. Strong negative reaction from hospital industry
3. The House is advancing a bill to exclude certain hospitals that were in development when enacted
4. In the future will existing off-campus facilities be vulnerable to a site-neutral policy?

# Medicare Payment Model Context: Value Transition Goals

In January 2015, HHS Secretary Burwell announced two sets of goals to transition Medicare from paying for volume to paying for value



## GOAL 1

Increase the amount of Medicare payments through **alternative payment models**

**30% 50%**

**2016 2018**

## GOAL 2

Increase the amount of Medicare **fee-for-service payments tied to quality or value**

**85% 90%**

**2016 2018**

# Proposed Medicare Part B Drug Demonstration

## Background

- Mandatory 5-year national demonstration
- Impacts 75% of Medicare Part B payments
- Includes almost all Part B covered drugs and biologicals
- Developed without stakeholder input
- **Stage:** Proposed rule released March 2016

## Administration's Goals

1. Remove incentive for expensive prescribing
2. Test new payment approaches to reward positive patient outcomes
3. Advance its commitment to the Value Transition goals

<b>Stage 1</b> (>60 Days after Final Rule)	<b>Stage 2</b> (No earlier than January 1, 2017)
106% Average Sales Price (ASP)	106% ASP
102.5% ASP + \$16.50 flat per day per drug payment	106% ASP with value-based purchasing (VBP) tools
	102.5% ASP + \$16.80
	102.5% ASP + \$16.80 with VBP tools

# Part B Drug Demo Reception

“Proposing sweeping changes to Medicare Part B drug reimbursement without thoughtful consideration and stakeholder input is not the right approach and puts Medicare patients who rely on these medicines at risk.”

## PhRMA

### 4 Congressional Letters to the Administration

- 3 withdraw proposal entirely
- 1 support and proceed

CMMI’s proposed experiment on seniors stands to limit access to the critical care the sickest Medicare beneficiaries rely on, as well as disrupt how health care providers serve patients”

**Statement from Rep. Fred Upton, Rep. Kevin Brady, & Sen. Orrin Hatch**

“This is about the government inserting itself and stating that physicians are not correctly treating patients and that it knows better”

“This rule is a step toward developing a pricing model that puts patient care and treatment value first”

**Statement from Rep. Jan Schakowsky, Peter Welch, Lloyd Doggett , & John Conyers**

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**Community Oncology Alliance**

# Oncology Care Model

## Background

A new payment model for physician practices administering chemotherapy where participants are paid \$160 PBPM for 6 months and potential for performance based payment

- 5 year duration
- Option to accept down-side risk in year 3
- CMS encourages other payers to participate

## Requirements

1. Use certified EHR and attest to MU stage 2 by model year 3
2. Data to drive quality improvement
3. Patient Navigation
4. Customized care plans
5. Follow nationally recognized clinical guidelines

## Status

- **March 2016:** CMS invited 100+ applicants invited to participate
- **May 2016:** Participant agreements expected to be signed
- **July 1, 2016:** anticipated start

# The Institute for Clinical and Economic Review

In summer 2015, ICER launched a drug assessment program aimed at constructing a framework to determine the value a new pharmaceutical at the time of its introduction. ICER expects to apply the framework to 15-20 drugs annually and produce public reports analyzing each drug's comparative effectiveness, cost-effectiveness, and potential budget impact



## 2016 New Drug Reports on Effectiveness, Value, and Value-Based Price Benchmarks

1. Obeticholic acid for the treatment of primary biliary cirrhosis
2. Drisapersen and eteplirsen for the treatment of Duchenne Muscular Dystrophy
3. Class review of drugs for treatment of non-small cell lung cancer
4. Class review of drugs for treatment of multiple sclerosis
5. Class review of drugs for treatment of psoriasis and psoriatic arthritis

# Questions?



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