ICLIO eCourse: Alternative Payment Methods — Beyond Fee for Service

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E-course 1

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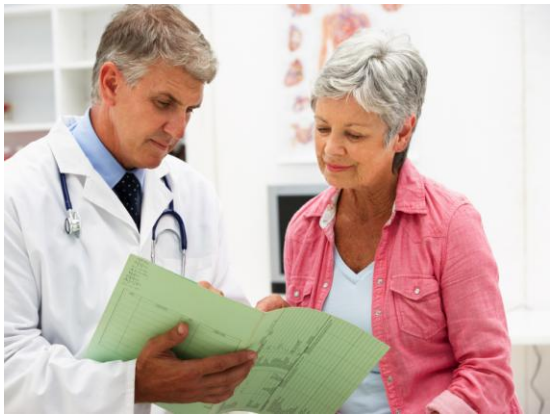
- MSc in International Health Policy with a Health Economics focus from the London School of Economics
- Business Insights and Cancer Center/Health Systems Best Practices and Management lead for the National Comprehensive Cancer Network (NCCN)
- Leadership roles in oncology biotech and pharma, including in Latin America, Europe, and North America with Roche and Genentech
- Focus on assessing the impact of health care policy and delivery system changes, such as Medicare programs, health care reform, and reimbursement shifts.

Learning Objectives

1. Understand the historical trajectory and direction of reimbursement for physician administered (Part B) and oral products
2. Understand the basics of these acronyms: VBM, MACRA, MIPS, and OCM
3. Be able to identify three potential models of alternative payment and how these could impact cancer care delivery
4. Understand the key provisions of Medicare's proposal for Part B reform and what potential impacts to care delivery could be



Putting Alternative Payment Models in Context

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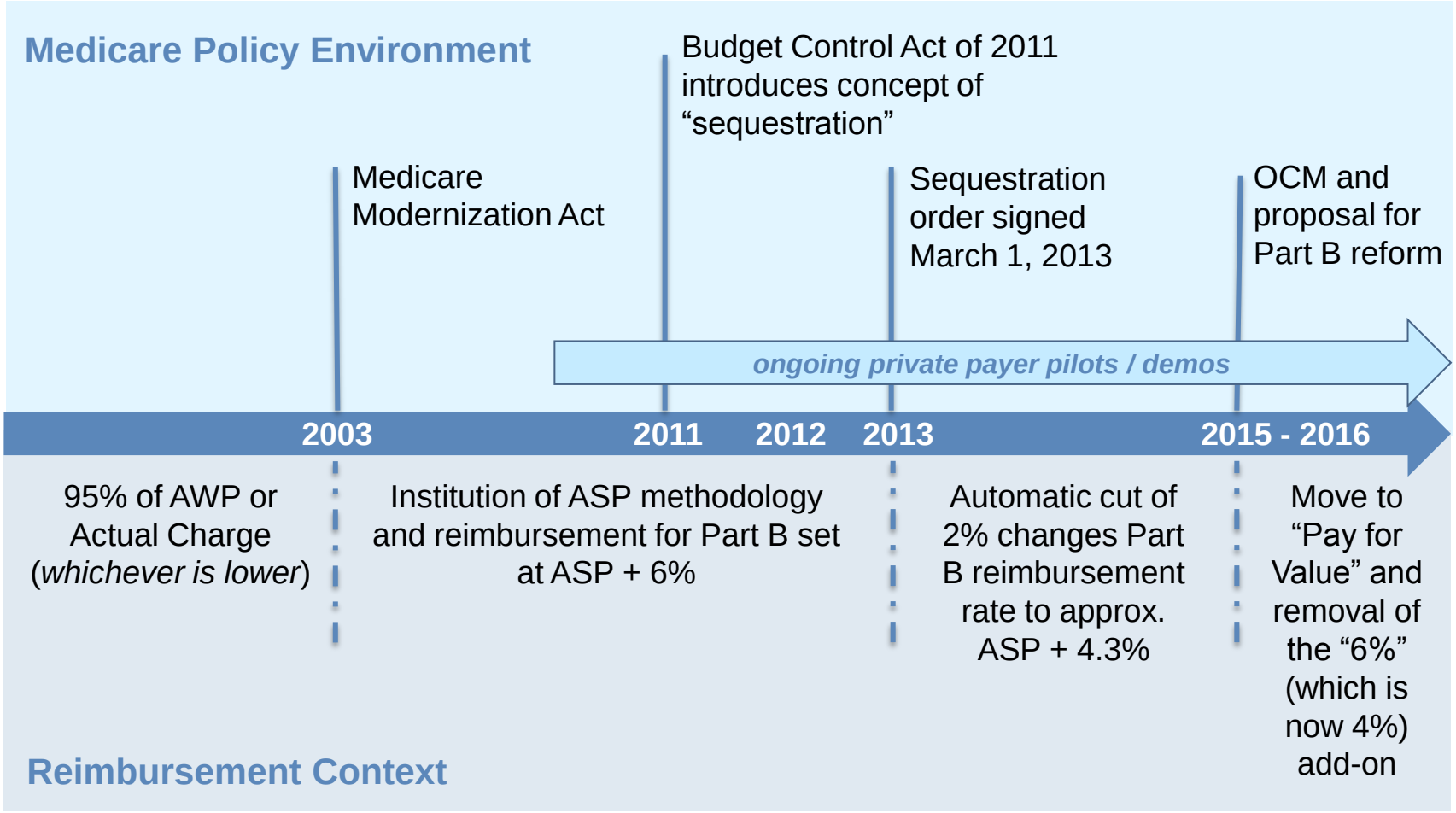
Part B Payment: The Context



Lessons learned from over a decade of Part B change

- With every CMS proposal to change Part B reimbursement, starting in 2003 and through sequestration, physician groups have claimed that "the sky is falling" – but what has been the measurable impact to CMS?
- Perception still exists among many in congress that a percentage-based add-on creates an incentive for physicians to over-prescribe or choose more expensive drugs over less expensive ones
- CMS has generally shied away from addressing the "340B issue" where the largest margin under any of these proposals is in the 340B hospital.

What approaches might CMS or private payers take?

Add-on Payment

Administration Fee

Incentivizing "value" or "outcome"

- Two primary levers of reimbursement: Add-on to ASP and the administration fee for infusion/injection
- Incentivizing "value" or "outcome" is an admirable goal, but difficult to implement: How are these defined? How are they tracked and measured?
- None of these methodologies account for the "Total cost of care" – so might lead to reductions in drug spending, but increase in overall spending (e.g. lessons from United Health pilot project)

Where are we now?

- Hospital outpatient departments and physician practices/clinics are reimbursed by Medicare at ASP + 6%, reduced by sequestration to an effective ASP + 4.3% (Reduction of 2% plus the patient's cost share)
- Swimming in an alphabet soup of Medicare proposals and programs, many of them still at the "demo" level, and a diagnosis of "widely disseminated pilot project-itis" on the commercial payer side

Alphabet Soup:
VBM, OCM, MIPS, and MACRA

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VBM, OCM, MACRA, MIPs

VBM or VM	Value-Based Modifier	Adjusts reimbursement to physicians based on certain cost and outcome measures
OCM	Oncology Care Model	A Medicare demo that creates additional incentives in oncology for meeting episode-based outcome measures
MACRA	Medicare Access & CHIP Reauthorization Act of 2015	Legislation that creates a framework for participation in Alternative Payment Models (APMs) and MIPS
MIPS	Merit Based Incentive Payment System	Combines aspects of VBM, Electronic Health Record incentives, and Physician Quality Reporting System (PQRS) into a single incentive program

https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Value-Based-Programs/MACRA-MIPS-and-APMs/MACRA-MIPS-and-APMs.html

Are these considered Alternative Payment Models?

- The VBM and OCM do not fundamentally alter the concept of ASP-based reimbursement, although add incentives and dis-incentives to the existing payment paradigm
- MACRA opens the door for greater participation in Alternative Payment Models, which might take a variety of forms, including some of the changes floated in the latest Part B reform proposal

Potential Models for Alternative Payment

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Alternative Payment Models: What forms might they take?

	Model Description	*Current or Past Pilots/ Models in Action*
Current Model	Fee-for-Service / Buy & Bill (B&B)	Present Model
	B&B with incentive for products “on pathway”	Anthem model: Bonus payment for sticking on pathway
	“B&B plus” Shared Savings and Value-based Elements	CMS OCM Value Based Modifier
	“Flat Rate B&B” No percentage-based add-on, but other payment types	March 2016 Part B reform proposal
	“Third-party B&B” with Administration Fee	CMS’s Competitive Acquisition Program (CAP)
	Episodic/Bundled Payment: Drugs Only	United HealthCare’s bundled drug model
Most Change	Episodic/Bundled Payment: Total Cost of Care or Capitated Payment / Global Budget	Outside of US: UK NHS

Three primary models of reimbursement reform: What are the implications of each?

Buy & Bill is fundamentally maintained, with some adjustments up and down

Buy & Bill is "shifted" and margin/incentive is moved away from the provider (to a third-party distributor or elsewhere)

No more Buy & Bill, but episodic or bundled basis of payment, with outcomes or value as a fundamental

Current Part B Reform Proposal: Key Elements and Implications

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Proposed Part B Changes

Phase 1	Changes add-on to ASP + 2.5% plus a flat fee of $16.80
Phase 2	Value-based purchasing tools, referencing groups such as ICER (Institute for Clinical and Economic Review)

- Result would be a drastic lowering of reimbursement on products with ASP above a certain threshold
- Mandatory participation with regional determination/randomization by PCSA of who will and will not be participating in the new model vs. ASP + 6% (4.3%) add-on
- Acknowledged overlap between this proposed change and the Oncology Care Model, without a clear path for how that would be addressed
- Phase 2 specifically mentions the use of ICER reports in determining value-based pricing or purchasing, which should be a significant “red flag” for providers, patients, and biopharma manufacturers due to ICER’s reliance on metrics (e.g. QALY) that have been demonstrated to be discriminatory and lead to poor outcomes / significantly lower cancer survival rates in countries using similar methods (e.g. UK)
- Phase 2 also suggests CMS/Manufacturer risk-sharing agreements based on outcome

Questions?

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