



## **BACKGROUND INFORMATION**

### **Impact of Medicare Modernization Act on Cancer Care**

#### **The Medicare Modernization Act & its Effect on U.S. Cancer Care**

The Medicare Modernization Act of 2003 and subsequent actions by the Centers for Medicare & Medicaid Services (CMS) have significantly cut reimbursement for cancer care by Medicare, which covers approximately 45% of Americans with cancer.

- The intent of the MMA was to better balance Medicare Part B reimbursement between drugs and services.
- However, new payment codes to cover un-reimbursed services – which were originally promised - were never created. Instead, CMS provided temporary stopgap funding, which expired in 2007.
- Community oncologists are currently put in the position of subsidizing Medicare, by financing chemotherapy treatments for their patients because of the insufficiencies of the prompt pay program. This is jeopardizing the health and future of the country's cancer care delivery system.
- The magnitude of the Medicare cuts to cancer care has been documented by PricewaterhouseCoopers, which calculated that the impact of the MMA will be to cut Medicare reimbursement for cancer care by \$14.7 billion from 2004-2013. [1]
- Medicare is the largest payer of cancer care and has inordinate influence on private payers, who adopt Medicare payment mechanisms.

#### **The major impacts of these cuts include:**

- Patients are increasingly receiving bifurcated care (i.e., where they receive chemotherapy is not where the rest of their care is provided) — especially those patients with inadequate secondary insurance who are receiving chemotherapy treatment separate from the point of care.
- A study from the Office of Cancer Survivorship at the National Cancer Institute estimated that approximately 2 million cancer survivors do not get the medical care that they need because of concerns about cost, even though the majority of these patients have some kind of insurance coverage. The NCI report cited the burden of health plan deductibles, co-pays that can add up to thousands of dollars a year, the loss in productivity that comes with taking time off from work, and transportation costs to get back and forth to care.
- A report by the American Cancer Society and the Kaiser Family Foundation confirmed that even cancer patients with private health insurance face severe challenges paying for life-saving treatments. Hefty out-of-pocket expenses, high cost-sharing requirements, caps on benefits and lifetime maximums on some policies are among the factors that can contribute to financial problems and lead many people to resort to bankruptcy, the study found.
- Community oncology practices are under increasing pressure to cut staff, services, and facilities at a time when the demand for cancer care continues to increase.

- The office administration of chemotherapy involves highly specialized oncology nurses, multiple expensive supplies, and many hours spent by the patient in a specialized treatment facility.
- In order to make up for continued Medicare reimbursement cuts, smaller clinics are closing, as are satellite facilities of larger clinics, which typically service rural areas.
- More clinics of all sizes are now reporting staff layoffs of between 10-20%.

### **Prior to MMA 2003**

- Prior to MMA, Medicare drug reimbursement subsidized the shortfall – the non-payments for drug administration and essential elements of cancer treatment. The MMA changes to pay for cancer drugs at market rates based on Average Sales Price (ASP) left significant voids in:
  - Payment coverage for the cost of pharmacy facilities (drug procurement, storage, inventory, and waste disposal)
  - The cost of developing, managing, and changing the treatment plan, the foundation of quality cancer care
  - MMA temporarily increased payment for administration of cancer drugs, but this has now expired.
  - In 2004, there was a one-year 32% transition increase to allow the CMS time to make appropriate payment increases.
  - CMS did not make any positive or permanent changes. It implemented demonstration projects that provided stopgap funding of \$300 million in 2005 and \$150 million in 2006, both of which have now expired.

### **Overall Decrease in Payments Annually**

- Community cancer clinics, which treat 84% of Americans with cancer, have experienced a more than 25% decrease in the payment of drug administration services from 2004 (the first year of MMA implementation) through 2009. Costs of pharmacy facilities and providing quality treatment planning are not reimbursed. Oftentimes, Medicare reimbursement does not even cover the actual acquisition costs of cancer drugs.
- COA supports the House bill H.R. 1392 as a first step in fixing a major problem with drug reimbursement based on Average Sales Price (ASP). H.R. 1392 eliminates manufacturer-to-distributor prompt payment discounts from the calculation of ASP. These discounts artificially reduce drug reimbursement rates.

1 Estimate of Savings to the Medicare Payment Program from Payment Changes for Covered Oncology Outpatient Drugs and Biologicals Under the Medicare Modernization Act of 2003: an Update, PriceWaterhouseCoopers, January 16, 2007.