A VISION FOR THE FUTURE OF COMMUNITY ONCOLOGY: INTEGRATED NETWORKS

Ted Okon, Community Oncology Alliance
ISSUES FROM THE COA PERSPECTIVE

• Costs of treating cancer increasing
  – Drug costs are unsustainable but all the cost drivers of cancer care, especially hospital costs, are increasing
• Good news: Immunotherapies and gene therapies like CAR-T show so much promise and biosimilars promise to help bring down drug costs
  – Bad news: How do we pay for new therapies and create a healthy biosimilar market?
• “Old” solutions not working; in fact, driving up costs and harming patients
  – Prior Authorization
  – “Fail First” Step Therapy
• Guidelines/Pathways already are standard of care
• More oral cancer drugs, which increases issues of compliance and patient care
• PBMs are increasingly delaying and denying care as more oral drugs being used
• Magnitude and scope of 340B discounts increasing, fueling both consolidation and drug prices and enticing PBMs to become contract pharmacies
BOTTOM LINE…

- Cancer treatment costs continue to climb
- Quality of care is getting worse in certain situations due to PBM intrusion
- Physicians (oncologists) are increasingly being overruled or dictated to regarding patient treatment
- Cancer care has consolidated
  - And not for the better!!!
- Cancer care “landscape” more difficult to navigate and understand for employers and patients
  - Who is making decisions for patients (employees) that is in their best interest
  - How to understand new treatment options, both in terms of effectiveness and efficiency
CANCER CARE CONSOLIDATION

1,654 clinics and/or practices closed, acquired by hospitals, merged, report financial struggles from 2008-2018

- 11.3% increase in closings, 8% increase in consolidations since 2016 report
- See full report at CommunityOncology.org
IMPACT OF CONSOLIDATION

Cancer clinic closures limit access to care, increase Medicare spending

“ Longer travel time for cancer care is associated with greater Medicare spending and patient cost responsibility, adding to the evidence that decreasing local access to care may have consequences,” Rocque explained. “Limited access to cancer care in rural communities could contribute to the substantial disparities in cancer outcomes.”

From 2008 to 2016, 380 cancer treatment facilities closed nationally, and another 390 practices struggled to stay open due to financial stress. According to the Community Oncology Alliance, cancer clinic closures place an additional burden on the nearly 20 percent of Americans living in rural areas due to limited local access to oncology care, forcing patients to travel farther for treatment.
COST OF CONSOLIDATION
GROWTH OF 340B

Purchases by Covered Entities Made Under the 340B Drug Pricing Program, 2012 to 2018

- Purchases at discounted 340B prices
- Estimated purchases at invoice prices

2012 to 2018 Growth
340B program (discounted): 23.3% per year
Manufacturers’ net revenues: 4.9% per year

$ Billions

2012 $6.9
2013 $10.6
2014 $11.1
2015 $13.9
2016 $12.9
2017 $18.5
2018 $36.0

Source: Drug Channels Institute analysis of data from Health Resources and Services Administration and HHS; Dollar figures in billions. Excludes sales made directly to healthcare institutions by manufacturers. Data for purchases at discounted prices show values of purchases at or below the discounted 340B ceiling prices. Data at invoice prices reflect DCI estimates. Growth rates show compound average growth rate.

Published on Drug Channels (www.DrugChannels.net) on May 14, 2019.

Source: 340B Program Purchases Reach $24.3 Billion—7+% of the Pharma Market—As Hospitals’ Charity Care Fluctuates, Drug Channels, May 2019
CONTRACT PHARMACY EXPLOSION

Source: The Booming 340B Contract Pharmacy Profits of Walgreens, CVS, Rite Aid, and Walmart, Drug Channels, July 2017
“Income from purchasing outpatient specialty drugs will help ease these margin constraints,” Moody’s analysts said. “Hospitals can make a profit on outpatient specialty drugs, which they can bill separately. By contrast, hospitals need to absorb the cost of inpatient drugs because they are reimbursed a flat fee per admission.”

Safety net hospitals participating in the 340B program are eligible to get even greater margins because they can get such outpatient specialty drugs at a discount.

Hospitals don’t have many tools to negotiate for better prices on specialty drugs, but 340B-eligible hospitals “receive a much larger discount on the price of eligible outpatient drugs purchased for all patients, regardless of how they are insured,” Moody’s said.
Cancer provider merging into rural hospital

According to plans filed with the state Department of Health, the partnership is tied to changes in federal 340B pharmaceutical pricing rules. Without the partnership, hospital officials told the DOH the cost of acquiring specialty drugs will be out of reach for the private practice. At the same time, the move strengthens Jones Memorial’s finances.

A private oncology practice, Jones Memorial Hospital, Wellsville, NY, Hospital & Health Care

$48.2M 440
Revenue Employees

Pending regulatory approvals, Southern Tier Cancer Center will convert to a hospital-based service, bringing $800,000 in new income to the Wellsville-based hospital, a part of the UR Medicine system.
SITE OF CARE SHIFT & HIGHER PRICES

A: 340B DRUG MARGIN
Margins on 340B purchased oncology drugs have grown to almost 50 percent.

B: SHIFT IN SITE OF CARE
The financial incentives in 340B have contributed to a shift in site of oncology care to the hospital outpatient setting.

C: GROWTH IN 340B DISCOUNTS
Pharmaceutical manufacturers are paying more 340B discounts on oncology drugs due to increased 340B utilization and larger discount rates.

D: UPWARD PRICING PRESSURE
Growth in 340B discounts and Medicaid rebates is reducing net sales to manufacturers and putting upward pricing pressure on oncology drugs.

Source: The Oncology Drug Marketplace: Trends in Discounting and Site of Care, Berkeley Research Group, December 2017
HIGHER COSTS FOR EMPLOYERS

Source: Commercial payers spend more on hospital outpatient drugs at 340B participating hospitals, Milliman, March 2018
Smith’s story is “an example of how bad things can get” for cancer patients who require different medications than what pharmacy benefit managers consider standard protocol.

“My husband would call and be on the phone for five and six hours trying to advocate for me,” Smith said, “trying to find out how he could work the system so he could get the needed drug for me so that I would live.

“I’m a human being. I’m not a used car. I have feelings. I’m a person. I want to live. I want to spend time with my grandchildren. I want to quilt. I want to do things. I want to live.”
PREVIEW OF NEW INITIATIVES

• Work closer with employers, and groups representing them, to help cancer employers and patients navigate an increasingly costly and not-patient-friendly cancer care environment

  – Produce unbiased materials and information sources on a variety of important topics for employers and patients

    ➢ Employer guide to enhancing cancer treatment outcomes and controlling costs
    ➢ Navigation guide for the new cancer patient and caregivers
    ➢ What’s new in diagnostic testing that can improve cancer treatment?
    ➢ What are biosimilars; are they safe and effective?
    ➢ What’s CAR-T and other gene therapies?
    ➢ And much more…
PREVIEW OF NEW INITIATIVES (CONTINUED)

• Creating a National Cancer Treatment Alliance
  – Enhance COA advocacy and related issues with a vehicle for focused employer involvement by networking oncology providers

• Provide the Oncology Care Model version 2.0 (OCM 2.0) as an adaptable value-based model of cancer care
  – Includes both services and drugs based on value

• Offer a national Clinically Integrated Pharmacy Network to provide oral cancer drugs efficiently and effectively
  – Goal is to enhance patient care and reduce costs in part by minimizing/eliminating PBM middlemen that delay/deny treatment and increase costs
  – Explore innovative technologies, such as blockchain, to increase transparency and efficiencies
SAVE THE DATE
APRIL 23–24, 2020
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Community Oncology Conference
FOCUS ON THE FUTURE OF CANCER CARE

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THANKS!

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