Highmark Will Push Back on Pricing For Cancer Drugs in Outpatient Setting

Although site-of-care optimization is certainly not a new approach to help control the costs of specialty drugs, health plans generally have applied the tactic to oncology therapies. But that will change on April 1, when Highmark Inc. will attempt to counter rising costs of oncology care services by eliminating markups. The Blues plan says I expects the billing change will save more than $200 million annually — and will not impact the quality of care members receive.

Highmark will apply the approach to infusible chemotherapy drugs administered at hospitals in western Pennsylvania. The plan has changed the payment methodology through updating hospital contracts in eastern Pennsylvania, Delaware and West Virginia, says Highmark spokesperson Aaron Billger. But in western Pennsylvania, "old hospital contracts" are in place. In fact, he says, the plan has a "long-running…contract dispute with one large health system.…They refuse to talk to us," he tells SPN. Highmark's billing of drugs "in the same fashion no matter where [care is] delivered…is well within the confines of these contracts."

"One of the things that's happened through the transformation of health care is the consolidation of health care providers continues at a rapid pace," Billger says. According to a report by the Community Oncology Alliance that was issued in June 2013, out of 1,338 community oncology practices, 469 had either entered into an agreement with a hospital or been acquired by one. In addition, 288 clinics had closed, and 469 were experiencing financial problems. Forty-three practices said they were sending all of their patients to another site for treatment, and 131 practices had merged with other ones or been acquired by a corporate entity that is not a hospital.

It doesn't look like the consolidation trend — and thus the increase in prices — will ease up any time soon, if a recently released report by the American Society of Clinical Oncology (ASCO) is any indication. According to ASCO, as the administration of health care services shifts from physician practices to hospitals, this "represent[s] potential disruptions of care — as fewer patients receive treatment from their own physicians' staff — and also raise[s] concerns about cost. Chemotherapy administration in hospital outpatient departments is usually reimbursed at higher rates than in physician practices."

'Irrational Billing' Is Issue

On the one hand consolidation of providers "helps coordinate care better," such as when creating accountable care organizations. But "at the same time, it creates opportunities for the manipulation of billing," which has resulted in "irrational billing. In the hospital, there is one price, and in the doctor's office, there is another price. There needs to be parity. If we bring parity,…the drug is the drug is the drug no matter where it's administered."

Bill Sullivan, Principal Consultant with Specialty Pharmacy Solutions LLC, explains that once a hospital system purchases a community practice, "reimbursement for the physicians often skyrockets based on the hospital's usually more generous contractual terms. These reimbursements can be as much as three or four or five times the rate of reimbursement for the exact same services the day before the practice was purchased. Not surprisingly, payers have taken notice…and they are ready to start pushing back."

Highmark, says Sullivan, is "ready to go to the mat to restructure payments to hospitals and, in particular, reduce reimbursements for staff-physician office-based services. "To be sure, they will also want to cut payments for outpatient infusion services…which have similarly skyrocketed as the now-employed physicians refer their patients to their hospital's outpatient department versus infusing in their offices."

Specialty Pharmacies Could Benefit

The tactic [being pursued by payers], says Sullivan, is important to specialty pharmacies. “It means a leveling of the playing field and a willingness on the part of payers to push members to community-based home infusion. For specialty pharmacies that are also active in specialty infusion, the welcome mat may be out for providers that offer a better value proposition.”

For more information, contact Billger at aaron.billger@highmark.com and Sullivan at wsullivan@specialtyrxsolutions.com.