Economics of Evidence-Based Clinical Pathways

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Executive Summary

U.S. Healthcare is in the early stages of a paradigm shift from fee-for-service to fee-for-value, which will dramatically reshape incentives and provider behaviors.

After years of being viewed as a sacred cow, Oncology is in the hot seat as payers target savings in this high cost area.

“Pathways” has emerged as a primary model for driving more effective therapeutic spend in oncology, by modifying incentives and aligning providers around select treatment regimens.

Competitors have moved aggressively to stake-out a position in the Pathways market.

Does this market view fit with what you have been seeing and experiencing? What other significant trends should we discuss?

Disclosures

Physician Resource Management, Inc.
Southwest Oncology Network, LLC
Oncology Physician Resource, PLLC
MOASC Purchasing Network, Inc.
AmeriSourceBergen Specialty Group, Inc.
Practice Managers’ Consulting Group, LLC
Meritas Oncology Foundation for Quality Health Care
BioMolecular Specimen Institute
Oncology Manager’s Briefcase
**Objectives**

- Compare business models designed to provide and document the most effective care for patients using evidence-based clinical pathways.
- Evaluate collaborative approaches between health plans and providers in order to implement standard, evidence-based oncology clinical pathways.
- Identify the tools, technology, and analytical requirements necessary to document pathways' adherence, quality outcomes, and cost effectiveness.

While population demographics contribute strongly to rising cancer costs, clinical drivers account for the majority of cost increase.
How Do We Know Pathways Are Coming?

Question Asked of Payers:
Which of the Following Care Management Changes are you Contemplating for Outpatient Oncology in the next 1-2 years? (Select all that apply)

1. Population-based / Risk Sharing
2. Pathway initiative
3. Reimbursement reduction
4. Preferred drug formulary
5. Increase preauthorization requirements
6. Specialty pharmacy

Payers are looking for programs that achieve broad buy-in and provider compliance

Payer Requirements
Decrease Variability & Cost
Increase Predictability
Better Outcomes

Targets:
- Document outliers
- Adherence to pathways
- Bending cost curve
- Appropriate lines of therapy and supportive care
- Advanced care therapy
- Prospective data and decision support
- Regional or state market share/physician buy-in
- Evidence-based approach to pathways
- Integrated technology solutions
Pathways will need to be continually extended to manage more than just drugs

<table>
<thead>
<tr>
<th>Therapeutic management</th>
<th>Hospital care utilization</th>
<th>Optimize treatment mix</th>
<th>Imaging and testing</th>
<th>Decrease hospital costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluate patients</td>
<td>Coordinate treatments</td>
<td>Increase survival</td>
<td>Shift delivery to</td>
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<td>based on effectiveness</td>
<td>to enhance survival</td>
<td>to reduce treatment</td>
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<td>patient and caregiver</td>
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<td>and training.</td>
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<td>Improve treatment</td>
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<td>therapy.</td>
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<td>of patients at end of</td>
<td>at home.</td>
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<td>Hospice care</td>
<td></td>
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<tr>
<td>life</td>
<td></td>
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<td>utilization.</td>
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Immediate Focus Area

Short term

Long term

Five cost buckets have been identified that have potential to drive oncology cost savings

<table>
<thead>
<tr>
<th>Immediate Focus Area</th>
<th>Short term</th>
<th>Long term</th>
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<td></td>
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<td>Reduce bias toward surgery</td>
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|                      |                                            | Reduce D[...]

ASCO issues statement to improve palliative care communication

- The elements identified by ASCO to individualize advanced cancer care include the following points:
  - Physicians should initiate candid discussions about prognosis with their patients soon after an advanced cancer diagnosis.
  - Such conversations currently occur with fewer than 40% of patients with advanced cancer.
  - Quality of life should be an explicit priority throughout the course of advanced cancer care. Physicians must help their patients fully understand their prognosis, the potential risks and benefits of available cancer treatments, and quality of life considerations.
  - Clinical trial opportunities should be increased.
  - Currently, very few patients with advanced cancer participate in trials due to strict eligibility criteria, a dearth of trials that address quality of life issues, and other barriers.

Source: The policy statement was published online in the Journal of Clinical Oncology (Jan. 21, 2017).

Cost Savings Potential

Sources of cost savings from oncology continuum of care

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<td>15-23%</td>
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<td>19-29%</td>
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Comparison of on-pathway and off-pathway costs: Weighted average regimen cost (2010)

<table>
<thead>
<tr>
<th>On-Pathway</th>
<th>Off-Pathway</th>
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<tbody>
<tr>
<td>Breast</td>
<td>71%</td>
</tr>
<tr>
<td>Lung</td>
<td>79%</td>
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<tr>
<td>Colon</td>
<td>65%</td>
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- The average, off-pathway breast cancer regimen costs $7,000 more than the on-pathway regimens.
- More than 70% of current treatment in market is on-pathway.
- Off-pathway regimens for lung cancer are more than double the average cost of on-pathway regimens.
- Approximately 80% of current treatment in market is on-pathway.
- On-pathway treatment is ~$3,000 more expensive due to:
  - High cost of some on-pathway treatment options (e.g. FOLFOX)
  - Prevalence of low cost off-pathway regimens (e.g. 5FU)

Significant Savings Potential in Breast and Lung Cancer

Several players are moving aggressively to establish a presence in the oncology space but have chosen different customers to target based on their existing customer base and their view of how to win long-term.

Target customers:
- Payers
- Providers: USON affiliates and non-USON practices
- Payers
- Large provider groups, including hospitals
- Payers
- Independent practices
- Payers
- Provider-centric focus and open participation model

Benefits of Collaboration

- Trusted Compliance, Monitoring, Reporting
- Increased participation and adherence with community buy-in
- No external 3rd parties mandating the physician’s cancer care process
- Savings and gains shared remain in the local healthcare system
- Physicians will be good stewards of their state’s healthcare dollars

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MI Case Study

Program Objective:
To increase quality and cost effectiveness through the implementation of standard, evidence-based, oncology clinical pathways

Participation:
100+ Oncologists (community and academic practices) in Michigan

Year One Highlights:
- Clinical pathways: breast, colon, lung cancer and supportive care
- Up-front participation reward of $5,000 per participating MD
- Adjusted fee schedule for generic products
- Gain sharing opportunity for participating physicians

Quality is the Measurement of Success
- Increase quality and cost effectiveness utilizing evidence-based oncology clinical pathways
- Decrease variability and increase predictability of care
- Develop model for the oncology patient medical home (pathways, diagnostics, technology, quality outcomes and EOL)
- Prospective economic modeling for each pathway
- Revised basis for payment of fee schedule (targeted) products or unique model for alignment of incentives
- Measurement and reconciliation methodology to validate model
- Monitor and report quality outcomes

Year Two Highlights:
- Additional pathways: lymphoma, myeloma, ovarian, prostate, and renal
- 10% uplift in E&M codes
- Up-front participation reward of $1,200 per participating MD
- Adjusted fee schedule for generic products
- Gain sharing opportunity for participating physicians

Value to Providers
- Create relationship with regional health plan
- Better positioned to influence legislation
- Leverage in order to increase fee schedules, E&M codes, and reduce / eliminate prior authorization
- Access to previously unavailable, aggregated oncology data
- Stronger foundation for forthcoming phases
- No external 3rd parties influencing the physician’s cancer care process
- Quality and outcomes driven rather than cost focused
Financial Opportunities

- Pricing Considerations
  - Neutralize generic margin differential
  - E & M code adjustments
  - Case management fee / episode of care
- Immediate and future considerations

Immediate Considerations

- Drug spend
- Hospitalizations
- Limiting lines of therapy
- E.R. Visits
- Reduction of errors
- Imaging and diagnostics
- Palliative or terminal care

Future Considerations

- Gain Share

Implementation Process

<table>
<thead>
<tr>
<th>Process</th>
<th>Implement or interface data collection tool with physician practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Define parameters and priorities, SOW's created for implementation</td>
<td>6. Implement or interface data collection tool with physician practices</td>
</tr>
<tr>
<td>2. Physician committee select agreed upon regimens per pathway based on evidence, toxicity, and cost</td>
<td>7. Conduct physician and staff training</td>
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<tr>
<td>3. Finalize adjusted fee schedule</td>
<td>8. Go live</td>
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<tr>
<td>4. Develop internal and external communication plan</td>
<td>9. Facilitate ongoing education and consultation from MDs on staff</td>
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<tr>
<td>5. Obtain legal commitment</td>
<td>10. Pathway maintenance / validate compliance / on-going reporting</td>
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SOW Spans Four Key Areas

- Clinical
  - Pathway Development & Maintenance
  - Pathway Documentation
  - Quality Control of Coding & Edits

- Tools & Technology
  - Case Management & Access
  - Data & Analytics
  - Implementation

- Data & Analytics
  - Case Management & Access
  - Data & Analytics
  - Implementation

- Implementation
  - Policy and Procedure
  - Training
  - Management & Accountability
  - Compliance

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Program Design Options

Considerations:

- Program Management
- Oversight / Analytics
- Reimbursement
- Generics/E&M
- Case Management / Episode of Care
- Gain Share
  - Net Savings / Shared Risk
- Pay-for-Performance
- Medical Home

Partnerships/Vendor Selection

- Trust and Reputation
- Support and Resources for Pathway Development & Maintenance
- Technology (Access, Customizable, Interface, Scalability, Point of Service)
- Trust and Reputation
- Physician focused
- Assume shared financial risk with the group?
- Trust and Reputation
- Willing to allow physician group to hold contract?
- Transparency
- Trust and Reputation
- Sophisticated analytics, reporting and support

Tools & Technology

- Point-of-service ≠ retrospective audits
- Prospective, decision support
- Integration strategy with existing technology (if applicable)

Prospective:

- Electronic Medical Record
- Web-based oncology management portal tracks and reports clinical pathway compliance / Auto-authorization for prior authorizations if “on-pathway”
- Decision Support Technology
Compliance to Protocols

- Pathway Development/Creation
- Rationale
  - reduce errors
  - improve quality of care
  - reduce costs
- Off Pathway Documentation / Process
- Rationale for Off Pathway Treatment

Concordance Analytics

- Overall pathway adherence
- Regimen selection
- Staging
- Treatment
- Monitoring
- End of life care
- Outcome
- Quality program measurements

Adherence Reporting

- Reporting
  - Methodology
  - Compliance baselines
  - Point of service vs. retrospective audits
- Compliance
  - Formula
  - Off label, clinical trials, etc.
  - Measurement
- Non-Compliance
  - Interventions & adherence reconciliation process
Cost Savings

- ROI Calculation Methodology
  - Considerations
    - drug spend
    - hospitalization
    - E/R visits
    - reduction of errors
    - limiting lines of therapy
    - palliative or hospice care

Gain Share

- An output-based incentive to share savings as a measure of improving quality and reducing costs
- Calculated by removing program costs, fee schedules and support services from the savings from the Pathway Program
- If a net gain is achieved then it is shared between Payer and Participating Providers in accordance with a preset formula
- Creates a group quality incentive reflecting the contribution of the providers to improving quality and reducing costs to the healthcare system

Example – Gain Share Scenario

![Example diagram]

Pre-Pathway Costs = Post-Pathway Costs = Post-Pathway Savings

X% of Post-Pathway Savings paid to Practice

(100%-X%) of Post-Pathway Savings ultimately saved by Payer

Source: Cote, Bryan. Oncology Business Review. September 2010
Process for Collaboration

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
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</thead>
<tbody>
<tr>
<td>Prospecting</td>
<td>Qualifying</td>
<td>Pathways Development</td>
<td>Preliminary Analytics</td>
<td>Payer Outreach</td>
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Define opportunity
Identify market demographics
Customized, regional pathways
Analytic team run preliminary financial models
Structured payer interaction

OUTCOMES/GOALS

Step 1 Step 2 Step 3 Step 4 Step 5

Payer Outreach

Assistants in Responsibility

JOB AIDS

Process Activity Flow

Integration and Coordination for Patient Care:
- Clinical Pathways
- Diagnostics
- Technology/Decision Support
- Quality Outcomes
- End of Life Care

Patient-Centered Oncology Medical Home

Thank You

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