



BERKELEY CENTER
FOR HEALTH TECHNOLOGY

ACOs and Cancer Care: A Look at Physician-Hospital Integration in Oncology

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Overview

- Case for Oncology as Part of ACO Dialogue
- Balancing Act for ACOs: Coordination or Consolidation
- Trends in Hospital Affiliation Around Oncology – Outlook for Community Oncologists
- Virtues and Vices of Consolidation Activity



Specialty Care within the ACO Framework

- The ACO framework emphasizes:
 - Payment reform to reward efficiency and cost reduction (next speaker)
 - Episode payment, shared savings, capitation
 - Organizational changes to change processes and outcomes
 - Medical home, coordination among primary, specialty, hospital care, post-acute
 - Quality reporting and improvement
- Current discussions center on primary care but most savings must come from tests, lab, drugs, procedures, hospital stays
- This means specialties must be central to ACO discussions



Coordination or Consolidation?

- Major concern with ACO movement is that it encourages provider consolidation, typically centered around hospitals as major source of capital and management
- Some fear hospital consolidation, pricing power with insurers and drug manufacturers
- Others believe physician-hospital alignment is essential, especially for high-cost specialties such as oncology
- How to balance coordination and market competition?



Trends in Hospital Affiliation with Oncologists

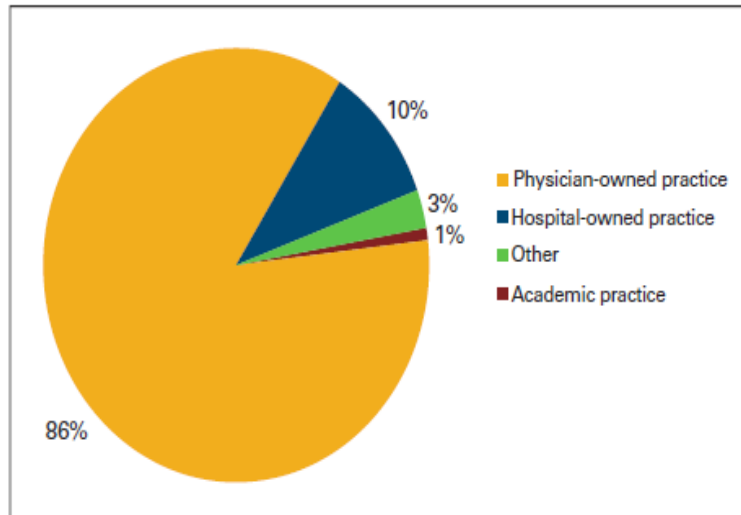


Figure 8. Current business structure (n = 106 practices).

Source: Barr et al, National Oncology Practice Benchmark, Journal of Oncology Practice 2011

- Oncology practices are still primarily independent, but integration with hospitals is accelerating

- Of the 1,254 practices identified by Community Oncology Alliance as impacted in the 4½ years, 31% (392) merged with a hospital or were purchased

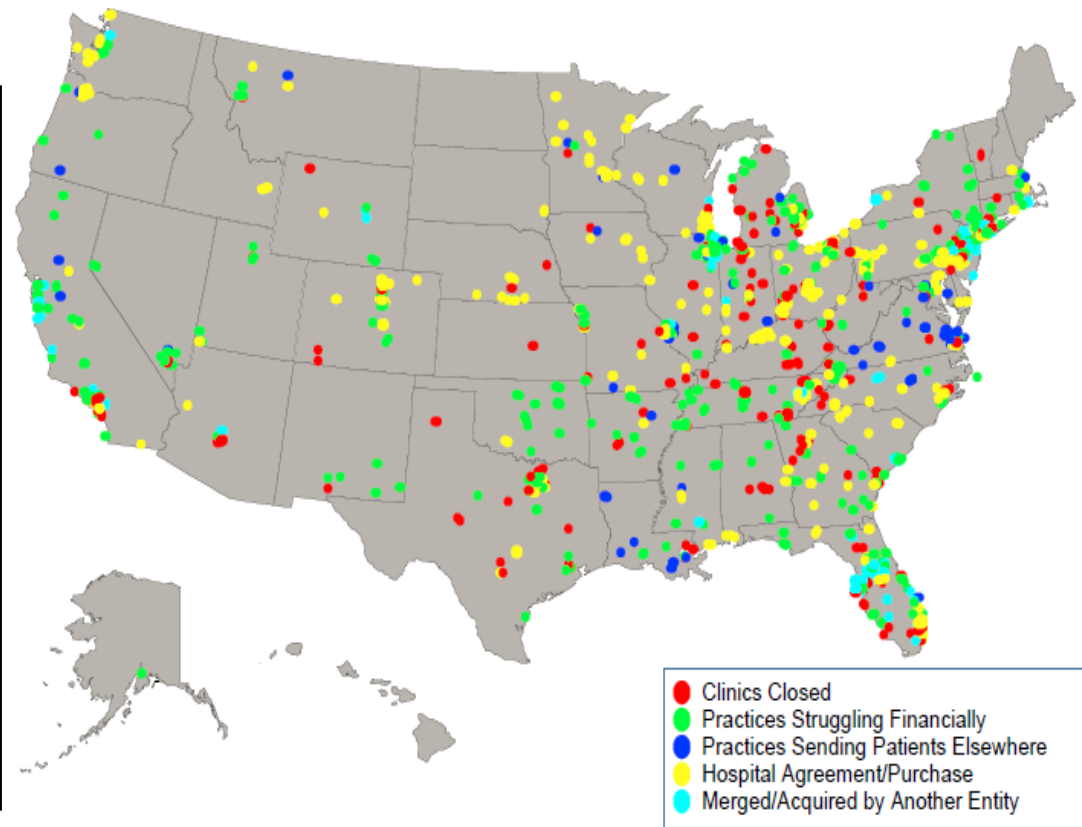
Stresses on Community Oncology

Community Oncology Practice Impact Report

COA Practice Impact Report

Excerpt. There was a 20% increase in the number of community oncology physician-owned practices impacted from 12 months ago. Specific impacts over this period are as follows:

- 21% Increase in Clinics Closed
- 20% Increase in Practices Struggling Financially
- 2% Decrease in Practices Sending Patients Elsewhere
- 24% Increase in Practices with a Hospital Agreement or Purchased
- 19% Increase in Practices Merged or Acquired



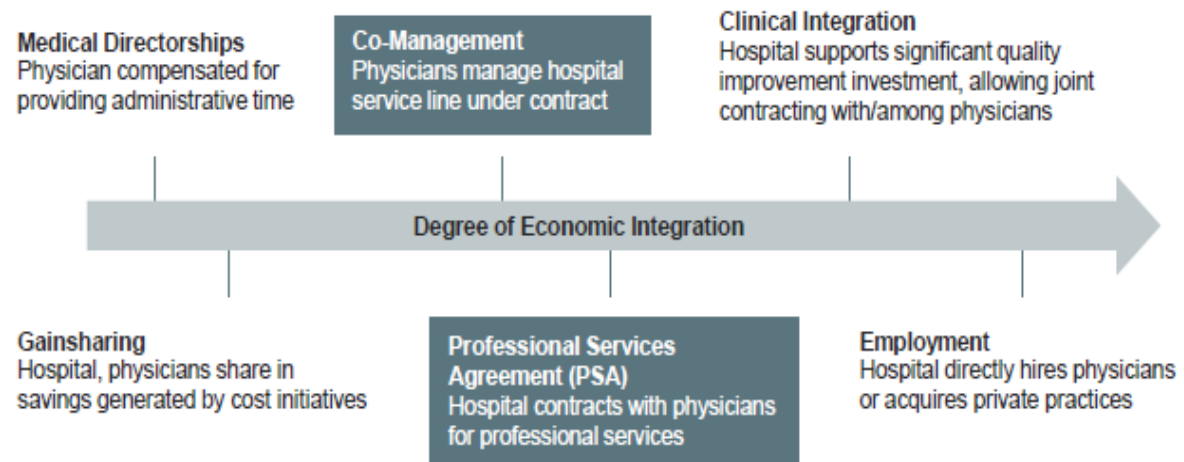
Source: Community Oncology Practice Impact Report, 2012

Virtues of Physician-Hospital Alignment in Oncology

- Continuum of integration from independent to fully employed with co-management of the hospital oncology service line and professional services agreement gaining traction

Certain Models Gaining More Traction in Oncology

Selective List of Physician Alignment Models¹



Source: Achieving Sustainable Hospital-Physician Alignment in Oncology, Advisory Board, 2012

Virtues of Physician-Hospital Alignment in Oncology

- **Benefits to Hospital**
 - Higher margins through 340B purchasing of drugs
 - Increased market share for inpatient services
- **Benefits to Oncology Practice**
 - Stability in an uncertain time
 - Maintain patient access



- **Shared Benefits**
 - Improve care delivery through integration
 - Manage shared risk and share in the gains

Source: Achieving Sustainable Hospital-Physician Alignment in Oncology, Advisory Board, 2012

Challenges of Physician-Hospital Alignment in Oncology



Scope of Providers

- Specialists have varying needs, expectations, and contractual relationships with cancer program
- Range of specialty differences complicates ability to create unified cancer program



Competitive Dynamics

- Past distrust, competition among private practices
- Additional efforts required to build trust, cooperative partnership

Compensation Complexity

- Costly investment as oncologists on high end of medical specialty compensation ranges
- Significant share of medical oncologists' income derived from infusion revenue



Operational Challenges

- Unique, numerous licensing and regulatory requirements
- Nuances of oncology billing



Source: Achieving Sustainable Hospital-Physician Alignment in Oncology, Advisory Board, 2012