Embracing Clinical Pathways as a Viable Financial Model

By Paul Watson

Actively embraced by payers, cancer care pathways have been shown to lower treatment costs while not impacting patient outcomes. Despite such potential benefits, oncologists are nonetheless concerned that such models will negatively impact treatment decisions and lower their reimbursement rates. However, judging by the sheer number of institutions and individual oncologists currently adapting these treatment models, and with the passage of recent reform legislation with its emphasis on comparative effectiveness research and adoption of the Accountable Care Organization (ACO) model, it is highly likely that pathways will become a staple of cancer care in the coming decades.

Three companies – P4 Healthcare, US Oncology, and Via Oncology, among others – are designing pathway models that they hope will galvanize the oncology community at large to readily embrace pathways as a viable financial model.

As many practices are ramping up to join hospitals, clinically integrate with other practices, or position themselves favorably with Medical Homes and ACO’s, it is advocated by Kathy Lokay, President and CEO for D3 Oncology Solutions, a commercial affiliate of the University of Pittsburgh Medical Center, that implementation of cancer care pathways can help a practice prove their value and quality in a measurable way. “Given all these factors, we are seeing acceleration in the interest in and adoption of pathways,” she said.

Likewise, Bruce Feinberg, MD, Chief Medical Officer of P4 Healthcare indicates that cancer care pathways present a win-win proposition for patients, physicians, and payers; and will play an important role in helping the oncology industry improve the consistency and quality of patient care while also reducing costs and maintaining long-term patient access to community oncologists. Echoing this...
sentiment, Russell Hoverman, MD, Medical Director of Innovative Oncology at US Oncology believes that by following pathways, patients will have access to better quality care, physicians will be reimbursed appropriately for providing evidence-based care, and payers will see a reduction in costs.

The Issue of Cost

Because oncologists are typically reimbursed according to the cost and amount of the treatments prescribed, they have a financial incentive to utilize the more expensive drug/regimen if two drugs/regimens are deemed equivalent in terms of efficacy and safety. It is precisely this issue of cost and incentive that has medical oncologists on the fence about pathways. Implementation could be perceived by oncologists as a way for payers to lower their reimbursement rates, reduce autonomy, and place a one-size-fits-all paradigm into the patient care equation.

But according to Lokay, these are precisely some of the most common misperceptions physicians have regarding pathways. “Most don’t realize that our algorithms employ a level of granularity that takes into account most patient contraindications, comorbidities, and drug interactions prior to recommending a treatment. Yes, we may have a primary pathway recommendation, but we also have all of these sub-pathways for specific types of contraindications,” she said.

Oftentimes, pathways present 4 or 5 different treatment regimens for one specific disease state. Furthermore, an oncologist can always forgo any of the proposed treatment recommendations and utilize a regimen even if it’s deemed off-pathway. “There’s nothing punitive about being off pathway,” she explained.

Although pathways are evidence-based clinical algorithms that standardize best practice cancer treatments (based on survival rates and toxicities) by reducing the wide variation in treatment strategies, they also happen to be the least expensive treatment options available. The clinical algorithms found in pathways are based on phase 3 studies and take into account the stage and status of a patient’s disease; the single best treatment option is based on the efficacy, toxicity, and the cost of each available therapy.
“By using the most efficacious drugs that offer the least toxicities, we anticipate that more patients will stay on their regularly scheduled treatment regimens with fewer visits to the emergency room and fewer unscheduled hospitalizations,” said Dr. Hoverman. Institutions, therefore, will theoretically save money with pathways despite using less expensive drugs, by improving quality of care and reducing the overall cost of care (ie, hospitalizations).

Lokay admits that the people who save the most amount of money from pathways implementation will be payers. “They are going to save money with fewer hospitalizations and with less use of high cost drugs,” she said. A small percentage of those drug savings, she iterated, are income for the practices and can have a negative financial impact.

“The beautiful thing about medical oncology, though, is that it's not a dollar-for-dollar equation,” she said. “A dollar of drug savings to the payer is only about three cents of income to the practice. The 97 cents of difference is an easy place for a win/win through gain share. Combine this with the hospital savings that could be shared and we have a very attractive business model. The challenge is getting the payers to come to the table and contract around these savings.”

With that in mind, Ray Page, DO, PhD, Medical Oncologist and President of The Center for Cancer and Blood Disorders, Fort Worth, Texas, conceded that the financial incentives associated with adopting pathways, are small and incremental, but that improvements in quality of care help reduce financial losses.

A Penny Saved…

All of the interviewees agreed that the primary objective of clinical pathways is to review multiple treatment options that have the same efficacy and toxicity, and then recommend the agent or therapy regimen with the smallest price tag. “However,” said Dr. Page, “I repeatedly emphasize to my physicians that they should always treat the patient and not ‘treat’ the pathway.” Dr. Page believes that a prudent oncologist should be compliant with recommended pathways at least 80%-85% of the time—a viewpoint that is shared by Drs. Feinberg and Hoverman as well as Ms. Lokay.

In a recent study published in the Journal of Oncology Practice (2010;6:12–18), it is shown that patients with non-small cell lung cancer who were treated on-pathway saved 35% in certain outpatient costs compared with those treated off-pathway, and they had equivalent health outcomes—results that are looked on favorably by payers. Theoretically, institutions can now use this information to negotiate new reimbursement plans with payers that recognize this quality care.

P4 Healthcare, for instance, contracts with Blue Cross Blue Shield plans in Michigan, Maryland, the District of Columbia, Pennsylvania, and Virginia. They provide pathways specifically tailored to lung, breast, and colon cancers and they estimate that more than 1,000 individual oncologists are currently participating in a pathways program facilitated by P4 Healthcare.

In another example, The Center for Cancer and Blood Disorders is currently using its adherence to pathways as a means to partici-
pate in novel pilot studies with payers (such as United Healthcare) to examine case rate payment models based on the improved predictability of treatment selections based on pathways. “We are piloting insurance contracts involving shared cost savings associated with pathway compliance”, said Dr. Page. The company has been with Via Oncology for almost 3 years. “At the time it was the most advanced evidence-based pathway in development and we were able to integrate it with our EHR to streamline communication and processes in our offices. A drawback, albeit small, is the layer of documentation put upon the physician. However, the pathway translates into clinical and economic efficiencies [for the 18 physicians practicing at the institution] and reduces chemotherapy administration errors. At this time, I would say we are financially neutral.”

Creating Financial Incentives

Lokay’s D3 Radiation Oncology Solutions recently partnered with Care Core National, the nation’s largest specialty benefits management company, to create PathForward Oncology, a new company that will negotiate contracts with health insurers to implement pathways in their oncology networks. With the establishment of PathForward, Lokay and her colleagues believe they have created a perfect impetus for generating financial incentives for both payer and providers. Additionally, outside of the PathForward joint venture, D3 Oncology Solutions continues to offer the Via Oncology Pathways directly to practices that can then use pathways to earn performance fees under hospital co-management relationships, form clinically integrated networks with other practices, or position themselves as the go-to practice for a medical home or an ACO. “Contracting with other healthcare providers may be an easier avenue for value creation than looking for new monies from payers,” Lokay said.

Despite their expressed interest in pathways, payers still seem reluctant to contract around them. Whether because they have primarily self-insured lives or just other priorities than cancer, most just don’t seem to have a sense of urgency. “Payers need to step outside of their box with how they contract with doctors and realize there’s much more to be gained under this model than traditional approaches,” said Lokay.

Innovent Oncology serves as a conduit by which practices that adhere to its recommended pathways can be incentivized financially by payers. According to Dr. Hoverman, the higher the level of compliance to Level 1 Pathways, the higher reimbursement rates will be for the practice. “Value-based reimbursement models are increasingly being used as a means to pay physicians for following Level 1 Pathways,” he said. “This may be accomplished directly through managed care contracting initiatives or through programs offered through Innovent Oncology.”

US Oncology, the parent company to Innovent, currently has pathways for 19 of the most commonly diagnosed cancers, a breadth of coverage that may have been instrumental in facilitating the execution of a contract in June 2010 between Aetna and Innovent to provide Level 1 pathways throughout Texas. According to Dr. Hoverman, Innovent Oncology provides practices with incremental revenue opportunities above and beyond their fee-for-service contracts with health plans. By entering into a contract with Innovent, both the payer and practice can participate in the shared cost savings realized from using the company’s Level 1 pathways.

P4 Healthcare also works closely with its payer clients to establish a program that incentivizes physicians and institutions to closely follow the prescribed pathways. “A pay-for-performance approach benefits all parties involved in patient care,” said Dr. Feinberg.
Some key incentives specific to physicians participating in the program may include higher reimbursement for using preferred pharmaceutical products, appropriate compensation for cognitive services, and a greater share in the cost savings generated by the pathways.

The Road Ahead

In closing comments from the interviewees, Dr. Feinberg believes that an increasing number of innovative payers, state oncology medical societies, and hospital systems will turn to development experts to implement pathways programs in their networks. Such pathways will not be limited to oncology, but readily adapted and revised for other complex, high-cost disease states, such as rheumatoid arthritis. It may be that there is a lot of room for growth for pathways companies. For instance, many community practices refer to pathway compliance, but haven’t adopted the pathways of a third party and therefore don’t have the stamp of approval from payers. Furthermore, there is a lot of room for adoption at academic cancer centers which have a reputation for not following pathways and increased variation in therapeutic choice.

Dr. Hoverman is similarly bullish on the future of pathways in oncology. “Today, more and more health plans are embracing pathways as a means to provide greater predictability and management of cancer costs,” he said. “We believe that clinical pathways will - and should - become the standard practice in cancer care.”

According to Dr. Page, pathways are here to stay. “They will evolve and refine as we learn from the process.” He believes that any practice with more than 7 or 8 oncologists would have opportunity for financial benefit. “Practices that are multi-site can see some benefit with efficiency of chemo ordering and drug purchasing,” he said.

Lastly, Lokay intimates that, in some respects, pathways are a model ahead of its time. “They make all the sense in the world for healthcare reform. We just have to get everybody together on a business model that allows for a win/win instead of win/lose.”

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