MSHO

Michigan Society of Hematology and Oncology
Advocacy • Education • Research

April 1, 2013

The Honorable Justin Amash
Michigan Congressional District 3

RE: The Impact of Sequestration on Michigan's Cancer Patients and Providers
Assessment and Resolution Strategies

Dear Representative Amash:

The Michigan Society of Hematology and Oncology (MSHO) promotes exemplary care to patients in Michigan diagnosed with cancer or blood disorders. Our Society represents over 90% of the medical oncology and hematology specialists treating these patients across all settings of care. (private practice, community hospital clinics and academic centers)

Medical oncology reimbursement continues to be targeted in every payer's healthcare reform model. Since over 50% of our patients are Medicare beneficiaries, any reductions in fee schedules and discount formulas have a staggering impact. While all entities receiving government funds are subject to the discipline and belt tightening sequestration has demanded there is an inequity that must be resolved if accessible cancer care is to remain viable.
Not only are the services that our highly trained specialists deliver to a very complex and challenged patient population being discounted, the payments for critical cancer drugs are being disproportionately cut, causing many of these agents to be reimbursed less than cost. We have attached a joint statement from The American Society of Clinical Oncology (ASCO) and Community Oncology Alliance (COA) that outlines the tenuous state of patient access to cancer services.

Unfair reimbursement for needed treatment will cause already financially stressed cancer clinics to close. Many of your constituents will experience access problems and higher out of pocket costs when they cannot be treated in their community.

We support the recommendations of our national organizations as steps to alleviate at least some of the risk to cancer care:

- Exempt Medicare Part B drugs from the sequester
- Co-sponsor HR800 that would remove manufacturer-to-distributor prompt pay discounts from the calculation of ASP. HR800 will help mitigate the devastating effects of sequestration.

MSHO would be happy to provide you with contact information for oncologists in your district who could discuss their concerns with you or your staff members. There is no doubt that sequestration will have an impact on the patients they treat.

Sincerely,

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Today, America's seniors and the physicians who care for them will begin to feel the impact of a federal government policy that was never supposed to happen. Sequestration has been applied to Medicare, reducing payments to physicians and care providers. This is bad news for all seniors, but likely devastating for seniors struggling with cancer. The Administration has decided to apply the sequester cuts not only to services physicians and others provide, but also to the fixed, pass-through costs of chemotherapy and related cancer-fighting drugs used to treat and manage this life-threatening disease.

More than 60 percent of cancer patients in the United States rely on Medicare. A series of misguided Medicare reimbursement cuts has created an unsustainable situation whereby many community cancer care providers operate at a loss when providing treatment to Medicare patients. Medicare reimburses community cancer clinics for chemotherapy based on an average sales price (ASP) and an additional services payment (6%) for administrative costs and financial risks associated with handling, storage, preparation, administration, and disposal of these highly toxic drugs. Unfortunately, Medicare payment falls short, and many cancer clinics are currently paid less than it costs to treat seniors fighting cancer.

Community cancer care providers are struggling to survive in this unsustainable environment. Until recently, more than 80 percent of the nation's cancer patients were treated in physicians' offices in the community setting. Since 2008, more than 1,200 community cancer care centers have closed, consolidated, or reported financial problems. The result has been patient access problems, increased costs to seniors, Medicare, and taxpayers due to the migration of Medicare patients to costlier care settings, and new barriers to care for elderly patients in remote areas. When community cancer clinics close their doors, access to cancer care is compromised for all cancer patients, but especially vulnerable seniors.

The sequester cut to cancer drugs threatens viability of community cancer care. In effect, the government is forcing clinics to subsidize Medicare — that is, to make up the difference between what Medicare pays and the actual cost of cancer drugs. Health care providers are never comfortable putting their work in purely economic terms, but the fact is community cancer clinics are small businesses held to the economic reality that operating at a loss cannot be sustained. It is hard to imagine any business—small or otherwise—accepting a policy that requires operating at a loss. *Oncologists should not be put in the untenable position of continuing to treat patients at a loss, which will result in clinic closings, or being unable to treat Medicare seniors fighting cancer in order to keep the clinic doors open.*

It would be one thing for community oncologists to absorb the 2 percent Medicare sequester applied to physician and provider services, but it is entirely another for the sequester cut to apply to the market-priced, underlying drug costs paid by practices. This is unlike any other payment reduction to Medicare and has an inordinate impact beyond 2 percent. Medicare reimbursement for cancer drugs is specifically fixed by law at ASP + 6%, as opposed to services or budgets cut by sequestration. The reduction of the 6 percent add-on to effectively 4.3 percent (after sequestration is applied) is a 28 percent cut, not a 2 percent cut. A recent survey indicates the sequester cut will force 72 percent of cancer clinics to not see new Medicare patients or send all Medicare patients to the hospital for treatment. Access problems will multiply and costs will increase for both seniors fighting cancer and Medicare.

These impacts do not have to occur. There are several ways that the Administration and Congress can act to avoid the most devastating of sequestration impacts. CMS has the authority to exempt cancer drugs from the sequester cut or to apply the 2 percent sequester cut only to the 6 percent services payment. Congress can pass H.R. 800 to bring Medicare drug reimbursement closer to costs in order to sustain community cancer care. However addressed, this must be done immediately to preserve patient access to community cancer care.

In the absence of government action to stop the dismantling of community cancer care, practices have signaled they will have no choice but to adopt emergency measures to deal with the sequester cut to cancer drugs. Our organizations will continue to provide support and guidance to cancer clinics and their patients throughout this crisis. It is imperative that the cancer community raises its voice to protect patients and a vital national resource: community cancer care. We will be providing materials to educate physicians, staff, patients, and the public to help in reaching out to the Administration and Congress in a unified, strong voice.