Trends in Oncology
From the National Practice Benchmarking Report: 2001 – 2010 Data
Pennsylvania Oncology Hematology Management Society
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Citation and Acknowledgement

• The materials that we will be using today have been published in the September 2011 issue of the Journal of Oncology Practice (JOP)
• The American Society of Clinical Oncology (ASCO) is the publisher and distributor of JOP
• Thanks to them and to the 107 oncology practices from 36 states (PA was one of six states with 5 or more practices) that contributed data to the National Practice Benchmark Report: 2011 for 2010 Data.
Community Practice in Transition
Stable Period

Oncology Metrics Trend Tracking by year per FTE Hem Onc

- Total Medical Revenue
- Total Operating Costs

Stable period – 1991- 2003

- Migration of infusion from hospital to office
- Rise of specialty distributors
- Antiemetics and Growth Factors define Supportive Care
- Steady increase in the drug spend per HemOnc
- Reimbursement from Medicare governed by Average Wholesale Price
- Steady divergence between total revenue and total operating cost leads to increasing “free cash”
- EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is as known an acronym among oncologists as CHOP (Cyclophosphamide, Hydroxdaunorubicin, Oncovin, Prednisone)
- Rise of oncology aggregators: OnCare, Texas Oncology, American Oncology Resources, Physician Reliance Network, and many others.
Medicare Modernization Act

Oncology Metrics Trend Tracking by year per FTE Hem Onc

- Total Medical Revenue
- Total Operating Costs

MMA 2004-2007

- Average Sales Price (ASP) replaces Average Wholesale Price (AWP)
- Payment linked to actual cost as measured in the marketplace
- Increased Payer Information Requirements
- Very Rapid increase in drug spend and in the total Medical Revenue
- Arbitrage farewell party party at distributors
The Squeeze 2007 - ……

**Oncology Metrics Trend Tracking**
by year per FTE Hem Onc

- Total Medical Revenue
- Total Operating Costs

Today, tomorrow, and over the next 25 years, Medicare payment is essential to the economic viability of every oncology product or service.

- **2006** --- $408.3 billion
- **2016** --- $862.5 billion
Looking Ahead

• Projecting into the future is difficult.
• These data have significant limitations that cause the brave to tremble.
• “It is tough to make predictions – especially about the future”.
• “Past Performance is not indicative of future events.”
Prediction 1

The Squeeze Persists

Figure 2. Drug cost (cost of goods paid for; COGPF), total revenue, and drug revenue per full-time equivalent hematology-oncology physician (FTE HemOnc).
Prediction 2

The Squeeze Persists

Pace of Efficiency Improvement Falters

• Inventory Reductions
• Accelerated Collections
• Decreased “bad debt”
Prediction 3

The Squeeze Persists

Pace of Efficiency Improvement Falters

Service Delivery per HemOnc Peaks
Prediction 4

The Squeeze Persists

Pace of Efficiency Improvement Falters

Service Delivery per HemOnc Peaks

Labor Cost Increases Faster Than Revenue
Number of FTEs increasing

FTE Staff/FTE HemOnc

- 2005 - 2013

- 7.00
- 8.00
- 9.00
- 10.00
Cost and Revenue / FTE

- Cost/FTE Staff
- Revenue/FTE Staff

Year: 2005 to 2013

Cost and Revenue Trends

- Cost/FTE Staff
- Revenue/FTE Staff

Bar and Line Graphs for Comparison
New Staff not driven by service demand

Patient Visits/FTE Staff

- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
Clinical Revenue not keeping pace with cost

![Graph showing the comparison of Cost/Est. Pt Visit and Revenue/Est. Patient Visit over the years 2005 to 2013. The graph indicates a trend where the cost is increasing faster than the revenue, suggesting a gap between the two.](image-url)
Convergence of Expense and Revenue
The End is Near!!!!!!

• Is the sky falling?
• That depends on your point of view.
• If you depend on margins of greater than 6% on chemo drugs
• yes it is falling!

GAME OVER

PRESS START
Meaningful Use...
Where to next …..

"Okay, 10 seconds...5, 4, 3, 2, 1
Doctors – start your engines!

Fee for Service
Margin on Drugs
Margin on Diagnostics
Patient Management
Oncology Medical Home
Continuity of care for the cancer patient from diagnosis to death
Thank You

• For taking care of people living with cancer
• For leadership and followership as we transition to the next model for the provision of more effective care to more people

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