



Community Oncology Practice Impact Report

The Changing Landscape of Cancer Care

Issued October 21, 2014

Summary

- This is an update to the last Community Oncology Alliance (COA) *Practice Impact Report*, which was issued on July 23, 2013. This report is derived from a tracking database of the changing oncology treatment landscape, which is compiled from private and public sources. This is the 5th annual report.
- Since 2008 (the first report covered 2008-2010), 1,447 clinics/practices have been impacted as follows:
 - **313 Clinics Closed** — Denotes individual clinic treatment sites that have closed.
 - **395 Practices Struggling Financially** — Denotes practices (typically comprised of multiple clinic sites) that have had financial difficulties.
 - **46 Practices Sending Patients Elsewhere** — Denotes practices (typically comprised of multiple clinic sites) that are sending *ALL of their Medicare patients* elsewhere for treatment.
 - **544 Practices Acquired by Hospitals** — Denotes practices (typically comprised of multiple clinic sites) that have been acquired by a hospital or, with less frequency, have entered into a contractual professional services agreement binding them to a hospital.
 - **149 Practices Merged or Acquired** — Denotes practices (typically comprised of multiple clinic sites) that have merged together or been acquired by a corporate entity, other than a hospital.

Points to Note

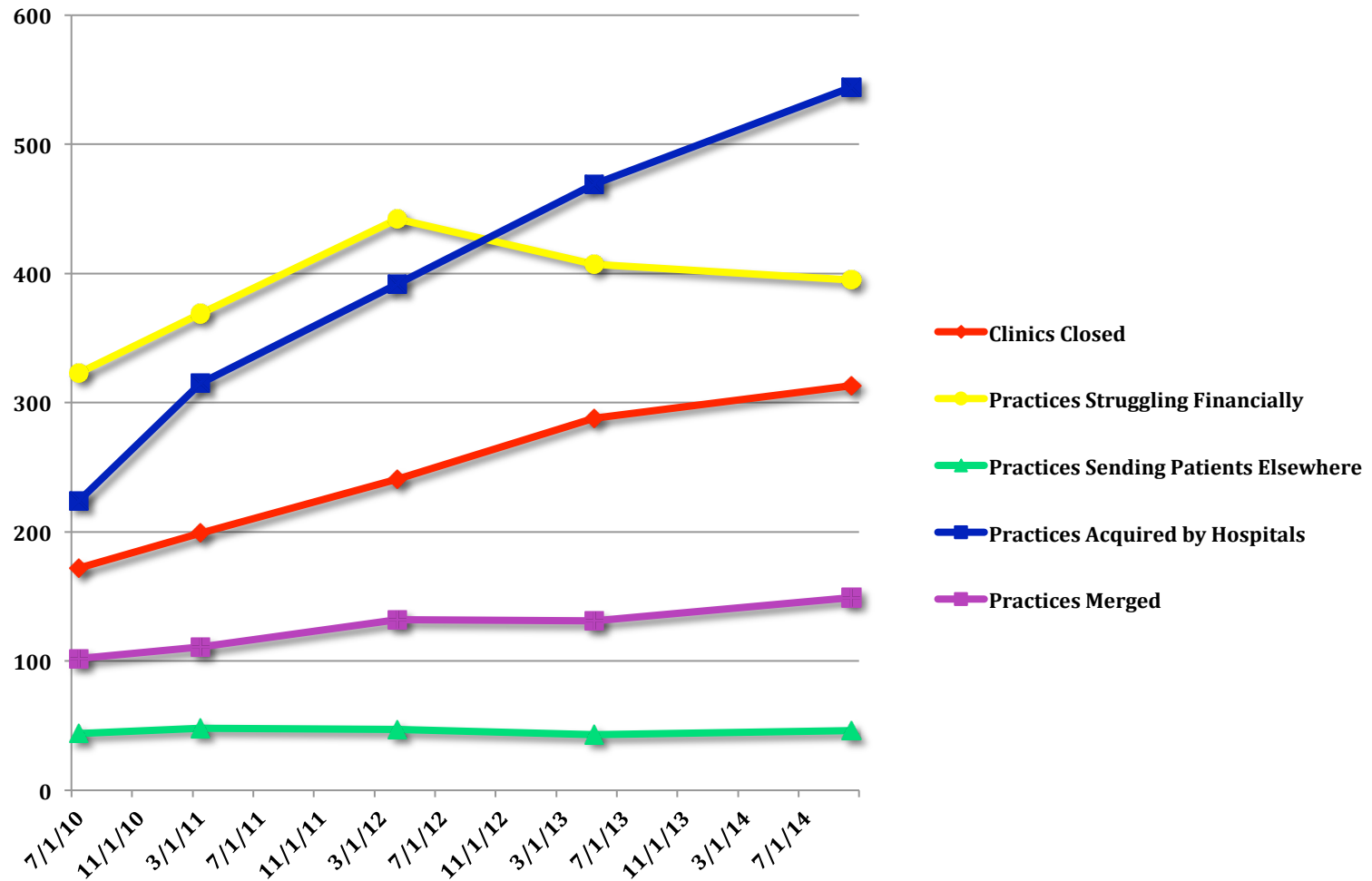
- Relative to the last report issued on July 23, 2013, there is still unabated consolidation of the nation's cancer care delivery system led once again by hospital acquisitions (16% increase). Cancer clinics are still being closed (9% increase) and there is greater merger activity among practices (14% increase). Since the first report, which reported on activity from 2008 to 2010, the following has occurred:
 - **82% Increase in Clinics Closed**
 - **22% Increase in Practices Struggling Financially**
 - **5% Increase in Practices Sending Patients Elsewhere**
 - **143% Increase in Practices Acquired (or with a Hospital Agreement)**
 - **46% Increase in Practices Merged (or Acquired)**
- The consolidation into hospital systems has been studied by The Moran Group and others using actual Medicare data. Moran¹ reported that physician-owned community oncology clinics administered 87% of chemotherapy in 2005. By the end of 2011, chemotherapy administration by community oncology clinics fell to 67%, with 33% administered in outpatient hospital settings. In our analysis, we found that over the past two years 74.5% of the acquisitions of community oncology clinics were by hospitals with 340B drug discount pricing. This is not surprising given the upwards of 50% discounts on cancer drugs, which equate to 100% drug margins. Cancer treatment is very profitable for hospitals with 340B discounts.
- The reasons for consolidation are due to insufficient Medicare reimbursement, exacerbated by the sequester cut to cancer drugs, and higher reimbursements and drug margins available to hospitals. Milliman² has documented the higher cost of cancer care in the hospital outpatient setting, where Medicare pays \$6,500 more per patient (annualized) for chemotherapy administered and cancer patients on Medicare pay \$650 more. According to internal UnitedHealthcare data, private community oncology clinics are reimbursed 22% more than Medicare to administer chemotherapy whereas outpatient hospital facilities are reimbursed 146% more than Medicare rates.³

¹ *Results of Analyses for Chemotherapy Administration Utilization and Chemotherapy Drug Utilization, 2005-2011 for Medicare Fee-for-Service Beneficiaries*, The Moran Group, May, 2013.

² *Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy*. Milliman, October, 2011.

³ Newcomer LN. *Myths And Realities In Cancer Care: Another Point Of View*. Health Affairs, 33, no.10 (2014):1805-1807.

Historical Trend in the Changing Landscape of Cancer Care
(Derived from current and past reports)



NOTE: The most vulnerable practices are those struggling financially or forced to send all patients elsewhere for treatment. Those are the practices most likely to close facilities or to be acquired over time, thus resulting in slight declines of those categories.

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Updated 10/21/14

State	Total Sites/Practices	Clinics Closed	Practices Struggling Financially	Practices Sending Patients Elsewhere	Hospital Acquisition	Merged/Acquired by Another Entity
Alabama	15	4	4	0	7	0
Alaska	2	0	2	0	0	0
Arizona	16	10	0	0	3	3
Arkansas	20	4	11	0	5	0
California	97	21	39	4	19	14
Colorado	45	7	15	2	21	0
Connecticut	10	1	0	0	9	0
DC	2	0	2	0	0	0
Delaware	4	4	0	0	0	0
Florida	133	33	23	1	30	46
Georgia	48	10	16	0	22	0
Hawaii	0	0	0	0	0	0
Idaho	2	0	0	0	2	0
Illinois	76	13	27	10	12	14
Indiana	40	11	4	2	22	1
Iowa	11	2	0	1	8	0
Kansas	5	3	0	0	1	1
Kentucky	35	15	2	0	18	0
Louisiana	20	3	4	0	13	0
Maine	0	0	0	0	0	0
Maryland	17	1	6	2	7	1
Massachusetts	16	3	4	0	7	2
Michigan	92	31	42	6	12	1
Minnesota	26	1	1	2	22	0
Mississippi	12	0	5	0	6	1
Missouri	40	9	7	2	21	1
Montana	8	0	3	0	5	0
Nebraska	9	2	0	0	7	0
Nevada	27	4	20	2	1	0
New Hampshire	1	0	0	0	1	0
New Jersey	39	4	11	0	14	10
New Mexico	7	1	4	0	2	0
New York	71	10	41	0	17	3
North Carolina	38	8	3	4	21	2
North Dakota	2	0	0	0	2	0
Ohio	55	12	9	1	31	2
Oklahoma	23	1	18	0	4	0
Oregon	21	2	3	1	14	1
Pennsylvania	66	7	9	0	47	3
Rhode Island	6	0	3	0	3	0
South Carolina	28	10	4	0	10	4
South Dakota	5	0	0	0	5	0
Tennessee	65	15	31	0	16	3
Texas	73	31	7	1	8	26
Utah	8	2	5	0	1	0
Vermont	1	1	0	0	0	0
Virginia	38	8	5	2	17	6
Washington	23	2	2	0	18	1
West Virginia	10	4	1	1	4	0
Wisconsin	33	2	0	2	28	1
Wyoming	6	1	2	0	1	2
Total	1,447	313	395	46	544	149

Clinics Closed denotes individual treatment sites that have closed.

Practices Struggling Financially denotes practices (typically comprised of multiple clinic sites) that have had financial difficulties.

Practices Sending Patients Elsewhere denotes practices (typically comprised of multiple clinic sites) that are sending all Medicare patients elsewhere for treatment.

Hospital Acquisition denotes practices (typically comprised of multiple clinic sites) that have been acquired by a hospital or, with less frequency, have entered into a contractual professional services agreement binding them to a hospital.

Merged/Acquired by Another Entity denotes practices (typically comprised of multiple clinic sites) that have merged with other practices or have been acquired by a corporate entity, other than a hospital.

Source: Community Oncology Alliance practice impact database compiled and updated from data obtained from public and private sources to the best knowledge.

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