

*From the 1st Annual Community Oncology Conference*

## Dealing with rising healthcare costs

**K**nowing your practice patterns and costs is the key to successfully contracting with managed care, said Cary A. Presant, MD, a staff physician with Wilshire Oncology Medical Group in LaVerne, California, and a professor at University of Southern California's Keck School of Medicine. Patterns include physicians' preferences for use of particular regimens, and costs include not only the costs of drugs, but the costs of providing infusions.

Navigating managed care contracts is never easy, but oncologists have to pay attention to all the possible contract structures: capitating for services only, capitating for services on only certain drugs, capitating for all services and drugs, or retaining an historical discounted fee for service model. Dr. Presant emphasized that only by controlling costs both of drugs and of services can managed care relationships be successful for the health plan, the oncologist, and most of all for the patient.

Because of these and other added overhead expenses, it's important to frequently track office costs to ensure that capitated payments continue to pay for the delivery of quality care. That not only includes the price of drugs, but also the cost of evaluation and management, and infusion services, he said.

In order to successfully contract with managed care, physicians also need to know what to expect in terms of reimbursement coding and practice patterns such as the number and intensity of patient visits, said Dr. Presant. At the same time, he noted, oncology practices need to balance those costs against the need to keep patient satisfaction high. Patient sat-

isfaction leads to more referrals and referrals, in turn, lead to a larger pool of non-managed care patients to buffer practices against unexpected rises in costs.

Dr. Presant concluded by stressing that tools for improving quality include setting goals, monitoring performance, conducting periodic audits, and utilizing resources such as practice advisors, newspapers and journals geared to oncologists, state and national societies, and cancer networks.

### Quality and efficiency

Managed care companies are paying attention to physician quality and efficiency too, said Lee N. Newcomer, MD, Business Leader for Oncology at UnitedHealthcare, and physicians can expect that, increasingly, their performance will be

measured against national standards. Health plans need proof that they are getting their money's worth, he said. For example, UnitedHealthcare recently asked to see surgeons to show their pathology reports to ensure that colon resections were meeting national standards. A major study from 2004 showed that the majority were not getting all 12 nodes as recommended in the guidelines, said Dr. Newcomer.

"It's hard to explain when half the operations in tumor registries we paid for in 2004 are inadequate," he said. "Plans also have some responsibility to make sure that they are not creating any perverse incentives that add unnecessary costs to the system. If we are just overhead, then we should go away."

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## Rising healthcare costs

Patients also need to bear some of the responsibility for ensuring costs don't continue to rise precipitously, said Cristie Upshaw Travis, CEO of the Memphis Business Group on Health, a local insurer with 30 member companies covering 100,000 people. "One of the biggest surprises for me is how little employees and their families know about their coverage," she said. Companies are reporting to her group that workers think drugs cost \$5 because that is what the company is. "They really feel like the em-

ployees are too insulated," she said.

Although the amount that workers pay toward their health insurance has risen, the percentage of total premiums has remained relatively steady over the past 15 years. Employers are starting to ask themselves whether employees are really paying their share, said Ms. Travis. From the perspective of companies—which pay for the bulk of private coverage in this country—it is not just a matter of an impending cost crisis, but also a quality crisis.

People are only getting about 65% of the care they need, she said. "If

we fill that gap, it is going to cost us more. One of the ways we can fund this is to reduce overuse."

Cutting out errors can also free up money to pay for appropriate care. Errors cost the system twice: first for the wrong treatment and second to fix that mistake, said Ms. Travis. Achieving those goals is realistic if employers, employees, health plans, and physicians all work together, she noted.

"Different things are important to different stakeholders. But we can all agree that improving clinical outcomes is the top priority."