

How Site-of-Treatment Markups for Infused Oncology Medications Drive Cost Differences Over Time

Introduction

A [recent study](#) by the Employee Benefit Research Institute (EBRI) determined that hospital outpatient departments (HOPDs) charged an average of 86.2 percent more for oncology medicines than physicians' offices (POs). This financial markup resulted in payers spending \$9,766 more per oncology therapy user in 2016. Moreover, this differential was not attributed to variation in drug mix across sites of care or differences in treatment intensity. Indeed, the novel analytical technique employed in the study isolated and compared unit prices charged by HOPDs and POs, which do not depend on disease severity or other patient characteristics. However, these results represent point-in-time snapshots of the relative expensiveness of oncology medications infused in HOPDs vs. POs. Whether these unit price gaps are narrowing or widening over time is a question of great importance to patients and payers. In this *Fast Fact*, we explore the time trends in cost differences for infused oncology medications by site of treatment.

Data and Methods

Using 2015–2018 Marketscan® medical claims, we constructed an annual dataset of 62,873 to 68,298 privately insured cancer patients under age 65 who received infused oncology therapy in outpatient settings. We applied our prior coding and analytic methods to derive estimates of the share of infused oncology medications garnered by HOPDs compared with POs in each year as well as the mean annual cost per user in each treatment setting. Finally, as in our prior work, we also reported the estimated expenditures for HOPD patients who would have prevailed had PO unit prices been charged instead (i.e., the counterfactual). We held constant over time the market basket of 35 drugs, which together comprised between 81.5 percent to 92.7 percent of all infused oncology spending and 89.4 percent to 91.3 percent of all utilization.

Infused Oncology Medicines Still More Costly in Hospital Outpatient Departments Compared With Physician Offices

In 2015, infused oncology medicines costs were 72 percent higher at HOPDs than at POs. This relative difference rose slightly to 75 percent in 2016 and then fell marginally to 74 percent in 2017 and 69 percent in 2018. As previously reported, the higher spending in the HOPD setting was almost entirely due to the per-unit price of the medicines. Holding drug mix and treatment intensity constant, HOPD-based therapy was \$10,291 more expensive per user per year in 2018 than it would have been if PO unit prices had prevailed.

Status Quo of Key Concern

This analysis leads us to conclude that:

- The gap between HOPD and PO pricing for oncology medicines has not narrowed over time despite greater awareness of the issue.

- This is in spite of the fact that some Disproportionate Share Hospitals (DSH) enjoy lower drug acquisition costs under the 340B program.¹
- Moreover, likely as a result of acquiring physician practices, hospital outpatient departments now claim one-half of all infused oncology medication use.

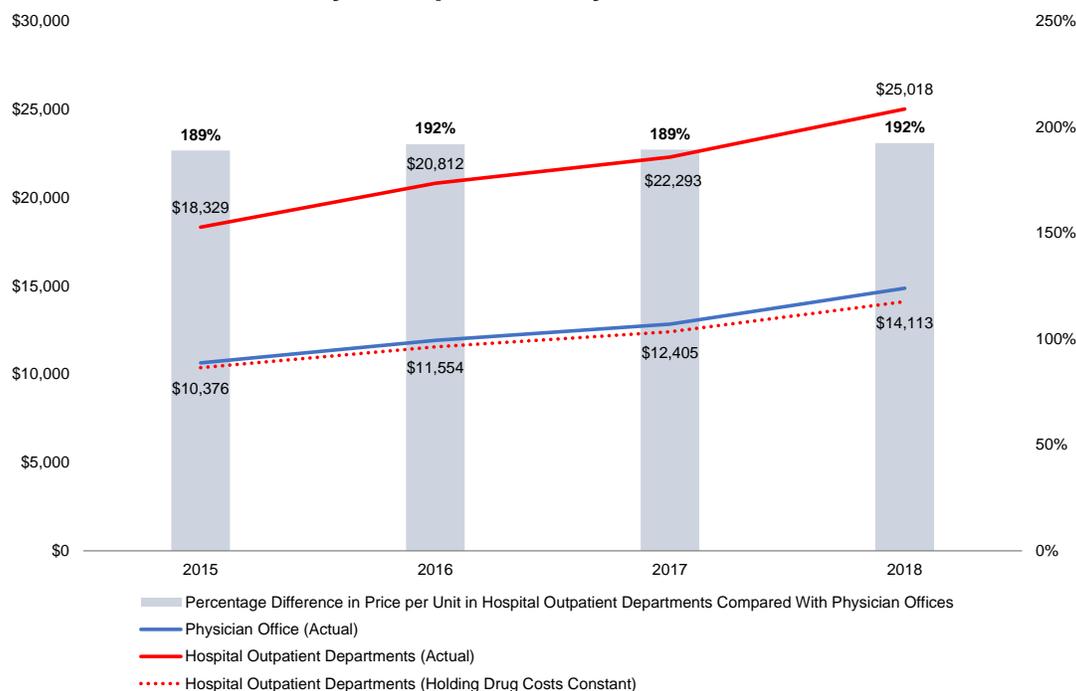
Even if both of these trends (i.e., price differential and market share) have finally leveled, the status quo should be of key concern to both patients — who are burdened with cost-sharing — and plan sponsors, including employers. Encouraging site-neutral oncology infusion reimbursement rates or incentivizing patients’ use of physicians’ offices are potential solutions.

Thus far, we have focused exclusively on cost differences for infused oncology medicines by site of care. Future work will investigate whether HOPDs also charge more for other outpatient services, including non-oncology physician-administered drugs and other “shoppable” services such as diagnostic screenings, imaging, lab tests, and low-value care.

The EBRI report, “Cost Differences for Oncology Medicines Based on Site of Treatment,” is published as the January 16, 2020, *EBRI Issue Brief*, and is available online [here](#).

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Trend in Mean Annual Chemotherapy Payment per User by Site of Care



¹ Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to certain safety-net health care providers.

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