UnitedHealthcare, MD Anderson deal may spur more bundled payments in cancer

By Bob Herman  |  December 15, 2014

Two major players in the private sector have launched a fixed-payment structure for cancer care that could serve as a harbinger of more such arrangements as the appetite for such payment reforms continues to grow across the industry.

UnitedHealthcare, a subsidiary of UnitedHealth Group, and the University of Texas MD Anderson Cancer Center in Houston agreed to a three-year deal.
in which the insurer will pay MD Anderson a fixed rate for the care of up to 150 patients with certain types of head and neck cancer.

“There’s so much interest in this,” said Kimberly Crow Hartsfield, a senior manager at consulting firm the Camden Group. “There’s so much spend in oncology and so much variation in the care delivery that takes place.”

The pilot program is part of UnitedHealthcare’s concerted push toward more value-based payment mechanisms. The insurer has about $36 billion in annual provider payments tied to some kind of risk-based arrangement.

“Our partnership with MD Anderson Cancer Center marks an important step toward expanded bundled-care payment models and away from the traditional fee-for-service payments for oncology care,” said Dr. Lee Newcomer, UnitedHealthcare’s vice president of oncology services, in a statement.

Bundled payments have been an important financing reform under the Patient Protection and Affordable Care Act. Medicare's Bundled Payments for Care Improvement program has shown widespread interest among providers. Private insurers like Aetna and Blue Cross and Blue Shield plans also have created bundled-payment arrangements with hospitals. Even large self-insured employers like General Electric Co. have direct bundled-payment contracts with providers.

However, Medicare does not yet have any bundled payments for cancer care. And most arrangements with private insurers involve only orthopedic or cardiovascular procedures, since those service lines tend
to have higher volumes and more fixed costs.


“We’re going to see more and more of what we see as condition-based bundles as opposed to the procedure-based ones,” said Francois de Brantes, executive director of the Health Care Incentives Improvement Institute who has studied the issue. “You look at where payers spend their money, and it's in far longer timeframe episodes,” like those involving chronic conditions.

UnitedHealthcare officials said they want more bundled payments for cancer care because that field and its related drug costs represent 11% of its commercial health-plan spending.

Only patients with employer-sponsored health plans will be enrolled in the MD Anderson program.

Officials think large savings can be attained with more standardized cancer care. The insurer released a study this summer ([http://www.modernhealthcare.com/article/20140708/BLOG/307089917/new-payment-model-saved-oncology-groups-33-million-study-finds](http://www.modernhealthcare.com/article/20140708/BLOG/307089917/new-payment-model-saved-oncology-groups-33-million-study-finds)) that showed fixed payments for 810 patients with breast, lung and colon cancers saved more than $33 million over three years. “This was a pretty dramatic change,” Newcomer said at the time.

With 1.6 million people diagnosed with cancer in the United States every year, half of whom are Medicare patients, the industry also sees potential in bundled payments if it leads to better quality. Medicare is developing an oncology-care model ([http://www.nihcm.org/images/pdf/Conway%20%20Smith.pdf](http://www.nihcm.org/images/pdf/Conway%20%20Smith.pdf)) that would pay providers for episodes of cancer care.

“You're going to see continued expansion,” said Hartsfield, who previously led the informatics and analytics division at Arkansas Blue Cross and Blue Shield. “I think that all payers in general are interested in progressive physician and hospital groups that are looking to eliminate the variation and provide very patient-centric care.”

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