Health Care Futures Direct: Radiation Oncology Bundled Payment Model Coming to Many Markets Next Year ---------- October 2020

Last month, CMS' Center for Medicare and Medicaid Services Innovation Center issued a final rule establishing a new bundled payment model for radiation oncology, which was called for in the ACA. CMS believes that the new radiation therapy payment model will align payments to care quality and value rather than volume, incentivize the use of more clinically and cost-efficient treatments and save the federal government $230 million over the five-year pilot period.

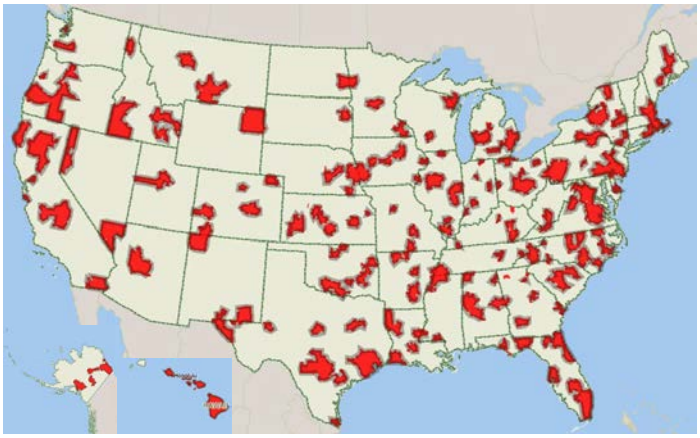
Highlights of Radiation Oncology Bundled Payment Model

- Prospective, modality-agnostic, site-neutral, episode-based payment for radiation therapy services provided in a 90-day period for 16 cancer types.
- Mandatory model that requires participation by radiation therapy providers in 9,000 U.S. zip codes, which represent 30% of Medicare radiation therapy episodes of care.
- Participants include physician group practices, radiation therapy centers and hospital outpatient departments.
- Model uses reporting and performance on quality measures, clinical data reporting and patient experience as factors in determining payments.
- Five-year model, originally scheduled to begin January 1, 2021, now beginning July 1, 2021.

The final rule was met with disapproval from the American Society for Radiation Oncology, which criticized the original January 1, 2021 implementation date *(see update to implementation date in note below)*, arguing that a twelve-week timeline in which to prepare is unreasonable, particularly in light of staff shortages and other challenges related to the COVID-19 public health emergency.

This Medicare payment model shift could have a significant impact on radiation therapy providers. As with any significant payment model modification, there will be winners and losers. Some organizations will be well-positioned to adapt to the new payment model, while others may not have adequate time to make the changes and investments necessary to maintain economic stability post-rule implementation. We encourage organizations to assess the economic and operational implications of this model over the five-year pilot period, as well as potential broader, longer-term implications, particularly in light of CMS' clear directional shift to site neutral payments.

The RO Model will be implemented for a five-year period, and will be a mandatory model for providers located in 9,001 U.S. zip codes that represent approximately 30% of nationwide Medicare radiation therapy episodes of care, illustrated in the map below. The site of service address determines inclusion in the RO Model, not the patient address. RO participants include physician group practices, radiation therapy centers and hospital outpatient departments. There are minimal opt out provisions, aside from for low volume practices.



The RO Model is designed to evaluate whether transitioning from fee-for-service payments to prospective, modality agnostic, site neutral, episode-based payments incentivizes higher quality care. Participants will receive a bundled payment for 90-day episodes of radiation therapy for 16 different cancer types: Anal, Bladder, Bone, Brain, Breast, Cervical, CNS, Colorectal, Head and Neck, Liver, Lung, Lymphoma, Pancreatic, Prostate, Upper GI and Uterine.

Episode payments are made prospectively in two installments, with approximately half paid upon initiation of the radiation oncology episode and the rest paid upon episode conclusion. Episode payments are split into professional and technical components and RO Model participants can participate as professional, technical, or dual participants, depending upon which component(s) of radiation therapy services are furnished. Individual provider reimbursement rates will vary depending on several factors, including the participant's geographic

location, case mix and historical experience. CMS also applies a discount factor, which reserves savings for Medicare and reduces beneficiary cost-savings, of 3.75% for professional component episode payments and 4.75% for technical component episode payments.

Payment amounts are further adjusted for withholds for incorrect payments (1% for professional and technical components), quality (2% for professional component) and patient experience (1% for technical component beginning in 2023). Participants may earn back all or some of the incorrect payment withhold and may earn back a portion of the quality and patient experience withholds through quality reporting and performance, clinical data reporting and the beneficiary-reported Consumer Assessment of Healthcare Providers and Systems Cancer Care Radiation Therapy Survey.

Implications

The actual economic impact of RO Model implementation will vary by organization and we encourage providers to evaluate and understand the economic impact of this payment model modification. While some organizations have already made the transition to more clinically and cost-effective radiation therapy care models, others have more work to do, which could be challenging to accomplish in a relatively short timeframe, particularly for organizations that are already stressed from the pandemic.

The impact of site neutral radiation therapy payments to hospitals and health systems with HOPD radiation therapy could be significant, and we advise quantifying and planning for this immediately. Even organizations that are not located in one of the zip codes impacted by the RO Model should assume that HOPD payments for radiation therapy (and likely other services, given CMS movement to site neutral payments) will no longer exist past the five-year pilot period, and should plan accordingly. While this program is designed for traditional Medicare patients, commercial payers could seek to negotiate similar types of arrangements.

In addition, there will be implications to compensation for physicians employed or in professional services arrangements with hospitals and health systems. Production-based compensation models may need to be revisited to align provider incentives with the RO Model's value-based reimbursement approach.

How we can help

Health Care Futures has extensive experience assisting hospitals, health systems and physician practice groups in understanding the economic impact of payment model changes and in developing strategies to promote organizational preparedness and success, and we would welcome the opportunity to assist your organization in planning for RO model implementation. We will continue to monitor and report on material modifications to the final rule.

Health Care Futures has developed an Excel-based model to streamline the process of determining whether your organization is located in a zip code that will be included in CMS' pilot, which may be accessed through **this link**.

For more information, please contact your Health Care Futures advisor, with select contact information below.

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UPDATE: (10/21/2020) *– CMS has received feedback from a number of stakeholders about the challenges of preparing to implement the RO Model by January 1, 2021. Based on this feedback,* ***CMS intends to delay the RO Model start date to July 1, 2021.*** *CMS is pursuing rulemaking to make this change.*