

## How Will Rising Costs of Cancer Care Fare Under Healthcare Reform?

The healthcare industry as a whole has borne the brunt of cost containment initiatives by the government under healthcare reform via replacing fee-for-service with pay-for-performance reimbursement strategies; increasing the efficiency of care; and, by improving quality of care to reduce the number of treatments and days spent in the hospital, among others. However, while many “low cost” medical areas, e.g., primary care services, are encouraged by, and will hopefully flourish under, the healthcare reform, some specialty services have suffered under these cost containment initiatives. Cancer care is a growing healthcare field, but it is also among some of the more expensive treatment plans in the healthcare industry. In 1999, the Institute of Medicine (IOM) co-authored a report on the dubious state of quality cancer care in the U.S., noting that “...for many Americans with cancer, there is a wide gulf between what could be construed as the ideal and the reality of their experience with cancer care.”<sup>1</sup> In a follow-up report, published in 2013, the IOM noted that the recommendations in the 1999 report had limited uptake and, with identification of additional practice gaps in the interim, “...our current cancer care delivery system falls short in terms of consistency in the delivery of care that is patient-centered, evidence based, and coordinated.”<sup>2</sup>

As medical research, technology, and treatments have improved over the decades, so have physicians’ abilities to detect and treat cancer. Cancer is currently the second most common cause of death in the U.S., accounting for approximately one of every 4 deaths; it is estimated that over 575,000 deaths will occur from cancer and approximately 1,660,290 new cancer cases will be diagnosed in 2013 alone.<sup>3</sup> A recent analysis found that while cancer incidence has been on the decline, survival has improved, resulting in an estimated 31% increase in the number of cancer survivors from 2010 to 2020.<sup>4</sup> Of note, due to the aging baby boomer population, 42% of the estimated increase in survivorship is in the 65 years of age and older population.<sup>5</sup> Based on this analysis, it was determined that the cost of cancer care in 2020 could increase anywhere from 39% to 66% from 2010 estimates (accounting for \$173 billion to \$207 billion, respectively).<sup>6</sup> The increasing survival rates, in addition to growing trends in physician shortages and more complex and prolonged treatments of exorbitant cost,

have led cancer care to a virtual precipice in a healthcare environment moving toward more stringent cost containment and efficiency goals.<sup>7</sup> Regarding cost of care challenges, the 2013 IOM report notes that “*the cost of cancer care is rising much faster than for other diseases, and there are few systematic efforts or incentives to eliminate waste and the use of ineffective therapies.*”<sup>8</sup>

The IOM report sets forth six interconnected components felt to be integral to developing a better quality oncology care system while simultaneously eliminating waste and unnecessary cost, namely: (1) creating an environment to support engaged patients; (2) maintaining an appropriately trained and adequately staffed, coordinated workforce; (3) providing evidence-based care; (4) utilizing information technology to support quality of care and performance improvements; (5) translating evidence into clinical performance and quality improvement; and, (6) providing affordable and accessible cancer care.<sup>9</sup> The report also discusses various aspects of each of these components within the context of the current marketplace and sets forth recommendations and strategies to achieve these goals.

While the relative immobility of quality and performance indicators in the oncology field over the past decade appears disappointing, this trend is not new in the healthcare delivery system. Many medical specialties, other providers, and consumers are all struggling with the trials of a changing healthcare infrastructure and the development of strategies to improve in the midst of reform. Cancer care, highly impacted by the growing baby boomer population and expectations to decrease cost of care, faces the same challenges as many medical specialties. With a blueprint for improvement provided by the recent IOM report, it remains to be seen whether the inconsistent performance of providers across the U.S. can adopt the proposed recommendations and whether they will create the desired outcomes in an era of reform.

<sup>1</sup> “Ensuring Quality Cancer Care”, By Maria Hewitt and Joseph V. Simone ed., Washington D.C., National Academy Press, 1999, p. 2

<sup>2</sup> “Delivering High-Quality Cancer Care: Charting a New Course for a System in Crisis”, By Levit et al., Institute of Medicine, 2013 (Pre-publication copy), p. xii

<sup>3</sup> “Cancer Facts & Figures 2013”, By the ACS, 2013, <http://www.cancer.org/acs/groups/content/@epidemiologysurveillance/documents/document/acspc-036845.pdf> (Accessed 11/8/13), p. 1

---

<sup>4</sup> “Projections of the Cost of Cancer Care in the United States: 2010-2020”, By Mariotto et al., Journal of the National Cancer Institute, January 12, 2011 (Advance access publication), pp. 120-121

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*, By Mariotto et al., January 12, 2011, pp. 122, 124

---

<sup>7</sup> “Confronting A Crisis in Cancer Care Delivery”, By Jessica Bylander, Health Affairs, Vol. 32, No. 10 (2013), p. 1695

<sup>8</sup> *Ibid.*, By Levit et al., 2013, p. xii

<sup>9</sup> *Ibid.*, By Levit et al., 2013, pp. 1-13 – 1-15



(800) FYI - VALU

*Providing Solutions  
in the Era of  
Healthcare Reform*

Founded in 1993, HCC is a  
nationally recognized healthcare  
economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

#### HEALTH CAPITAL

CONSULTANTS (HCC) is an established, nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, Missouri, with regional personnel nationwide. Founded in 1993, HCC has served clients in over 45 states, in providing services including: valuation in all healthcare sectors; financial analysis, including the development of forecasts, budgets and income distribution plans; healthcare provider related intermediary services, including integration, affiliation, acquisition and divestiture; Certificate of Need (CON) and regulatory consulting; litigation support and expert witness services; and, industry research services for healthcare providers and their advisors. HCC's accredited professionals are supported by an experienced research and library support staff to maintain a thorough and extensive knowledge of the healthcare reimbursement, regulatory, technological and competitive environment.



**Robert James Cimasi**, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as Chief Executive Officer of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“Accountable Care Organizations: Value Metrics and Capital Formation”* [2013 - Taylor & Francis, a division of CRC Press], *“The Adviser’s Guide to Healthcare”* – Vols. I, II & III [2010 – AICPA], and *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books]. His most recent book, entitled *“Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services”* will be published by John Wiley & Sons in the Fall of 2013.

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS).



**Todd A. Zigrang**, MBA, MHA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives, and serves as President of the St. Louis Chapter of the American Society of Appraisers (ASA). He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



**Anne P. Sharamitaro**, Esq., is the Executive Vice President & General Counsel of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. Ms. Sharamitaro has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.