

ClinicalOncology

Advances in Cancer Care

news

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EDUCATIONAL REVIEW



Update on the Management Of Ovarian Cancer

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Breast Ca Vaccine Shows Real Promise Against Recurrence

In two small clinical trials, an experimental breast cancer vaccine being developed by physicians at Walter Reed Army Medical Center in Washington reduced the recurrence of breast cancer by 50%.

The study marks “one of the first times a cancer vaccine has caused a clinically significant reduction in disease recurrence,” said lead investigator, Col. George E. Peoples, MD, director of the Cancer Vaccine Development Laboratory at the Uniformed Services University for the Health Sciences in Bethesda, Md.

see **VACCINE**, page 11 ▶

Breakthrough Pain Common, Persistent In Cancer Patients

Breakthrough pain occurs in a large number of cancer patients, yet oncologists may not be aware of the impact of this phenomenon or the new strategies that are being developed to treat it, according to renowned pain specialist Russell K. Portenoy, MD.

The limited attention paid to this type of pain may be manifested by the low utilization rate among oncologists of the newest medications available to treat it. In the first half of 2006, oncologists wrote only 1% of the 187,076 prescriptions written for oral transmucosal fentanyl citrate (OTFC; Actiq, Cephalon), according to Verispan, a

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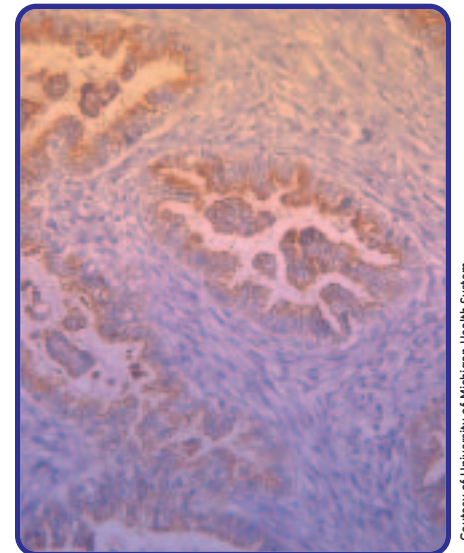
In Treatment of Pancreatic Cancer ...

No Benefit Found in Adding Bevacizumab to Gemcitabine

ORLANDO, FLA.—The addition of bevacizumab to gemcitabine did not improve survival in patients with advanced pancreatic cancer in a recent study. The results came as a surprise to the investigators.

“This study did not confirm the promising data reported for gemcitabine and bevacizumab in our prior Phase II trial, probably because that smaller study had proportionately more patients with good prognostic factors, including good performance status,” Hedy Lee Kindler, MD, told *Clinical Oncology News*.

“We still have three extensive, ongoing correlative studies of angiogenesis biomarkers, pharmacogenomics and clinical economics,” Dr. Kindler said in an interview. “Those studies should help us determine if there are subsets of patients who may still benefit from bevacizumab, as well as help us under-



Adenocarcinoma of the pancreas

stand a lot more about the basic tumor

see **BEVACIZUMAB**, page 7 ▶

Courtesy of University of Michigan Health System

POLICY & MANAGEMENT

Joint Ventures: The Decision and the Process Both Require Self- and Partner Examination

As providers examine the options for ensuring viability in today's volatile healthcare marketplace, developing relationships with other providers is one opportunity that deserves exploration. This article looks at the healthcare horizon and offers providers a strategic framework to use in making decisions

about business relationships.

Moving toward a joint venture requires careful thought and personal introspection. To evaluate your practice options, it is crucial that you carefully weigh your risk tolerance. Each individual's tolerance for risk and the risk

see **JOINT VENTURES**, page 4 ▶

NEW FORMULATION

For more information on the new formulation of this product, see page 14.



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JOINT VENTURES

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inherent in the volatile healthcare marketplace need to be considered in making strategic decisions (see Figure 1).

Risk Taking or Risk Aversion? That Is the Question

Traditionally, physicians have not shouldered much risk individually. Community hospitals have typically made the major capital investments in healthcare buildings and advanced technology. Recently, there have been significant shifts in the marketplace as venture capitalists, financial groups and healthcare manufacturers reach out directly to physicians to become independent providers and owners of high-tech

Figure 1. Key areas to consider in forging new joint venture relationships.

Risk: Identify preferences related to risk taking vs. risk aversion. Ask yourself the following questions:

- How much risk am I willing to take?
- Do I want to be an owner?
- Do I want control of day-to-day operations?
- Do I want to maximize my income?
- What trade-offs am I willing to consider?
- What is most important to me?



equipment-based operations. It is the job of the individual practice to determine if the risk is worth the return.

Determining risk, however, is difficult. Those who have money to lend or equipment to sell often downplay risk. And oncologists can't look to history for advice—marketplace solutions advocated for the past 10 years have not been successful.

Determining risk is made even more difficult because healthcare in America is at a significant point of change. There is a substantial population of uninsured and underinsured individuals who will tax the healthcare system. This number grows larger every day. There is a growing group of large employers, covering many lives, that can no longer afford to provide health insurance. They are cutting back the

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A joint venture is an option that can help minimize risk by enabling you to share it with other providers.

coverage they once provided to manage spiraling operation costs. There is also a growing number of small businesses that simply cannot afford to provide health insurance to their employees.

What all this mumbo jumbo means in short is that, with increasing regularity, providers will be unable to ensure payment for the services that they provide. The risk of investment grows because significant market forces that threaten the return on investment exist.

Medicare Significantly Affects Decision Making

For oncologists, major threats loom from the single largest payer in oncology—Medicare. During the past two years, Medicare has made significant reimbursement changes that threaten provider return on investment. First, imaging has been targeted for increased claim review. For two consecutive years, there has been 27% growth in such procedures, spurring the belief that clinicians are ordering inappropriate diagnostic tests. Imaging fees on the physician practice schedule have also been targeted and are scheduled for planned reduction. New imaging technology has also seen significant payment reductions in the Hospital Outpatient Prospective Payment System (HOPPS) environment. Second, Ambulatory Surgical Center (ASC) fees were categorically reduced to match HOPPS payments this year. More than 200 procedure code fees were reduced without any phase-in period.

Why should this concern you? It should prepare you for the coming imposition of *least costly alternative* (LCA) practice. Medicare's LCA policy allows Medicare to pay a provider at the lowest rate Medicare offers *regardless of*

Figure 2. Legal, regulatory, strategic and tactical considerations in joint venturing.

Legal and Regulatory Issues

- Although legal requirements can be vague, regulations and laws will often stipulate some aspects of what the parties involved in a business venture can and cannot legally do. For instance, a hospital cannot pay for referrals or give inappropriate financial incentives to a physician (inurement) without an actual service being provided in return. All payments made as part of a service agreement must be based on fair market value.

Strategic Issues

- Oncology is a dynamic field undergoing constant change due to treatment and technologic advances. Will the designed business structure allow flexibility to respond to unexpected change? Does it easily allow for the addition of new providers, services, specialties, programs and/or equipment?

Tactical Issues

- It is easy to get caught up in the tactical issues better known as the "details" of the business structure, before actually identifying the parties' risk tolerance and optimal strategic design structure. Questions regarding the physical facility, insurance, equipment, accounting, information technologies, services, outsourcing, etc. should be discussed after other key questions have been adequately addressed.

the site of service. So, if you have planned your imaging returns based on projections of PET/CT rates for outpatient centers that are hundreds of dollars higher than hospital rates, and you have counted on payers taking forever to catch up—*redo your numbers*. Your risk

is much higher than you think and your return is likely to be lower. We expect an LCA-like environment for radiation oncology, equipment-based new technology and imaging to strengthen over the next two years.

While Medicare is implementing a flat payment level across providers, commercial payers are slowly going back to limiting choice for beneficiaries. More policies are being written that trade restrictive choice for better coverage. The glut of providers offering imaging and new technology enables payers to negotiate lower rates for their patient volume. This lowers insurers' costs and ultimately reduces your profits. A risk-and-return problem for providers continues to loom large (see Figure 2).

Getting Started—After Determining Your Willingness To Take Risk

Start by exploring whether you and the other providers and/or the potential organization have mutual goals. What do you want to accomplish? What are the partners' objectives? What does the hospital want to accomplish? Examine how a joint venture could contribute to the overall goal. Consider not only your current market position, but your potential for future success as well. Remember, future success often relates to market conditions and positioning of the partners or the hospital in the market. Joint ventures have long-range objectives, thus, be sure to align with partners you believe will have a successful future.

Next, perform a preliminary business assessment. Look at the specifics of your venture in a detailed plan. What does the market indicate? Is there potential for expanding market share? Is there an opportunity for volume growth?

Once you've determined that the market will support the venture, invest in a detailed financial analysis. The analysis will raise questions related to structure and control. The planning process often points out a partner's strengths and weaknesses, as well as key issues to discuss about control, operating structure and the like. Also, carefully consider buy-out, buy-in, and noncompete provisions and make them part of early discussions

When the business environment does not favor provider returns, a joint venture can help minimize risk.

with your potential partner(s).

Finally, evaluate capitalization issues. This process will include debt policies, capital retention and distribution, reserve powers, and so on. It is crucial that you understand the core issues first; otherwise, discussions and communication will break down between the parties, which can result in indecision.

Knowledgeable attorneys should be relied on to offer excellent legal advice throughout the joint-venture process. These ventures, governed by many laws and regulations on the state and federal levels, can be highly complex. An unbiased third party who understands the nuances of oncology can provide valuable consultation to help you determine whether to consider a joint venture, provide financial analysis support and assist you in negotiating business terms with your potential partner.

Eyes Wide Open

So, when the business environment is not necessarily favorable for high provider returns, a joint venture is an option that can help minimize risk by enabling you to share it with other providers. Partnering also allows providers to legally create better balance in the number of service sites available in a geographic area and to maintain reasonable payment levels for care rendered.

It seems that 2007 is a good time for providers to analyze the marketplace with eyes wide open. Make investment decisions that protect your interests and ultimately the best interests of those in your community who require medical care and treatment.

—Mary Lou Bowers, MBA
and Rhonda M. Gold, RN, MSN

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