



A Closer Look at the Oral Chemotherapy Parity Mandate

Introduction. At first blush it seems obvious—an outpatient oral chemotherapy regimen must be less expensive than an inpatient injection treatment plan to treat cancer because studies show outpatient procedures in general cost less than inpatient procedures. Since 2007, legislators in twenty-one states have been persuaded by this logic and have passed parity laws for oral chemotherapy, with the majority of enactments coming in the 2011 and 2012 legislative sessions. However, the issue of oral versus injectable chemotherapy is not merely one of cost. The complex nature of cancer treatment, the importance of treatment compliance, and the suitability of various treatment regimens for vulnerable populations makes the oral chemotherapy parity mandate worthy of a more detailed examination.

The Council for Affordable Health Insurance (CAHI) looks at the cost vs. benefit of each mandate enacted by legislatures for inclusion in health insurance policies. When CAHI noticed a surge in the occurrence of oral chemotherapy mandate legislation, it asked the CAHI Actuarial Working Group on Mandated Benefits (AWG) to determine the cost of adding an oral chemotherapy benefit to a health insurance policy. For the first time in more than twenty years of working on state and federal benefit mandates, the actuarial working group produced two separate cost estimates, advising CAHI, “*The crux of the oral chemotherapy parity issue is whether or not a health plan has a pharmaceutical benefit.*”

Oral Chemotherapy Parity Cost Estimates. Because oral chemotherapy medications are acquired from a pharmacy and self-administered they are usually covered under a health insurance policy’s pharmaceutical benefit, if such a benefit is available. Injected chemotherapies are most often administered in an outpatient setting at a hospital, clinic or doctor’s office, and are typically covered under the medical portion of a health insurance plan.

A 2010 Milliman study examined the cost and implications of the oral chemotherapy mandate for individuals and employers and concluded the expected growth of the mandate is already forcing insurers and employers to respond to the increased cost pressure by increasing member costs.

Instead of “modeling” a benefit’s costs using hypothetical data, the AWG uses actual health insurance policies and pricing structures. The group estimated the cost to add an oral chemotherapy parity mandate to a health insurance policy which *does not* include a pharmaceutical benefit at between 1 and 3 percent of premium. If a health insurance policy *does* have a pharmaceutical benefit already attached to it, the cost of the parity mandate is less than 1 percent. *However, they*

caution the frequency and scope of the mandate over time is expected to increase and therefore, these cost estimates only apply in the broadest of terms during the 2011 legislative year.

What is Chemotherapy? Chemotherapy is a treatment designed to kill or slow the growth of cancerous cells. There are many different types of chemotherapy drugs available. Oncologists—doctors who specialize in treating cancer—determine which drugs are suited for treating a specific patient. The doctor’s decision to use certain drugs is based on a number of factors: the type of cancer, the patient’s age and health status (for example, height, weight, and whether or not the patient has other diseases like heart or kidney disease). There are more than 50 chemotherapy drugs on the market today. The drugs are designed to interfere with the body’s cells’ ability to grow or multiply. Chemotherapy is often given in addition to other cancer treatments such as surgery to remove the cancerous cells, and/or radiation therapy to kill them. When chemotherapy is administered in conjunction with another cancer treatment, it is referred to as adjuvant chemotherapy. Two or more drugs used together for chemotherapy are called combination chemotherapy. The treatment process is highly complex and individualistic.

How is Chemotherapy Administered? Chemotherapy is administered in many ways including: by injection, through a catheter or port, topically, or orally. It is important to note these differences when examining health insurance benefits.

- **Injection:** Injection can be done through a vein (intravenous) or a muscle (intramuscular). A small needle is inserted into the area (either vein or muscle) and attached to a catheter (small tube), which delivers the drug.
- **Catheter or port:** A catheter is a small tube; a port is a small container which is inserted in a vein or under the skin in the location where the drug will be administered. If many injections are needed, this method allows more patient flexibility and eliminates the need for repeated needle sticks and/or inpatient stays.
- **Topically:** A cream or ointment is applied to the affected skin area (skin cancer).
- **Orally:** By mouth, chemotherapy is given in the form of a liquid, pill or capsule. Given its ease of use and lack of specialized equipment, oral chemotherapy can be self-administered in a patient’s home instead of an inpatient setting.

Oral Chemotherapy Parity Mandate: What's the Big Deal? For the past 20 years, CAHI has tracked benefit, provider and coverage mandates in all 50 states and the District of Columbia. Some mandates have developed into trends as states or special interest groups spread and share information and model legislation. The oral chemotherapy parity mandate is one of the few mandates in which a flurry of legislative activity has occurred in a short period of time (from 2007 to the present). CAHI delved further into the parity mandate and discovered:

- **Worth:** According to several cancer societies and associations like the Cancer Action Network, “approximately one-fourth of all cancer drugs under development are oral cancer treatments.” Oral chemotherapy might offer some patients a lower risk of complications compared to injection treatment. However, in many instances oral and injectable side effects are similar. Oral chemotherapy can also cause digestive-related side effects due to irritation of the stomach lining. According to *The Washington Post*, “Although some new oral drugs have demonstrated only incremental benefits, extending life for several weeks, others represent genuine advances and have transformed once rapidly fatal cancers into manageable cancers...” *There are many treatment options for cancer; the mere existence of oral therapy does not make it necessarily the best choice.*
- **Convenience vs. Safety:** Many advocacy groups believe oral chemotherapy treatment is more convenient than injectable therapy — a patient can take the medication in their own home as opposed to a clinic or hospital setting. However, Cancer-Forum.net cautions the need to be consistent in oral treatment, which is difficult for some patients and can severely compromise treatment efficacy. “Oral chemo doses are set up so that you will have constant levels of the drug in your body to kill the cancer cells. Not taking your chemo as it needs to be taken can affect how well the treatment works, and it can even allow the cancer to grow...” *Convenience versus safety is an issue for patients, doctors, and insurers which deserves further study.*
- **Advancements in Medicine Cost Money:** Avalere, a health care consulting firm hired by the Community Oncology Alliance (along with pharmaceutical companies including Novartis, Pfizer, and Millennium), found oral cancer drugs are typically placed in the most expensive price tier covered by insurance policy pharmaceutical benefits and in Medicare Part D drug plans. The high cost of co-pays and deductibles causes patients to abandon treatment. “Ten percent of cancer patients failed to fill their initial prescriptions for oral anti-cancer drugs...abandonment rates for Medicare claims were 16 percent versus nine percent for those with commercial insurance.” *Oral cancer medications are placed in the most expensive benefit tier because pharmaceutical companies charge insurance companies and the federal government increased rates for the drugs. The price factor is missing from the parity debate.*

- **Differences in Coverage Between Oral and Injection Cancer Drugs:** According to the AWG, there is a distinct cost difference between oral and injection cancer drugs: The impact of this cost difference for beneficiaries depends upon whether or not the health insurance plan provides pharmaceutical benefits. *Oral chemotherapy is very expensive, as are health insurance policies which provide prescription drug coverage. A preponderance of benefit mandates can price a policy out of the reach of patients.*

State Oral Chemotherapy Parity Laws. CAHI found that pharmaceutical companies and cancer advocacy groups are usually behind the oral chemotherapy parity mandate trend sweeping state legislatures. The typical parity legislation language requires insurers to provide coverage for oral cancer drugs equivalent to coverage for infusion cancer drugs— *regardless of whether an insurance policy offers a pharmaceutical benefit.* Since 2007, twenty states plus the District of Columbia have enacted parity laws: Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Minnesota, Nebraska, New Jersey, New Mexico, New York, Oregon, Texas, Vermont, Virginia, Washington as well as the District of Columbia.

Conclusion. Mandates require insurers to pay for care which consumers previously funded out of their own pockets. Changing the dynamics of payment creates more frequent use of the service and a resultant increase in premium costs to all health insurance beneficiaries.

Most mandates, when considered individually, raise premiums by a very small amount, usually less than 1 percent. This small increase is deceiving when viewed in isolation and has resulted in an abundance of mandate legislation. It is the cumulative effect of mandates which increases the cost of basic health coverage. Mandating benefits by law creates an environment with few options.

In the case of the oral chemotherapy parity mandate, legislators must consider the high cost of oral chemotherapy drugs, not merely the level of reimbursement to the insured. They must also weigh the complexities of cancer treatments and the uncontrolled environment in which oral chemotherapy is used. *CAHI does not make judgments about which mandates should or should not be included in a health insurance policy.*

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