

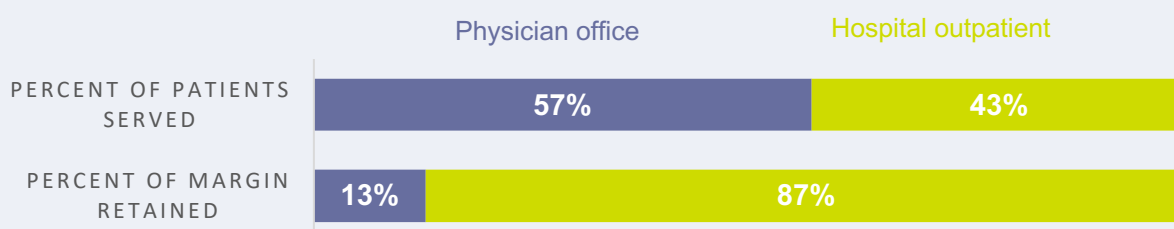
Hospital Share of Gross Profits for Physician-Administered Oncology Medicines Reimbursed by Commercial Insurers

In the commercial market, hospitals retain a disproportionately large share of the gross profit relative to physicians

Injectable and infused oncology drugs are typically administered in an outpatient setting by physicians, either in a physician office or at a hospital outpatient clinic.

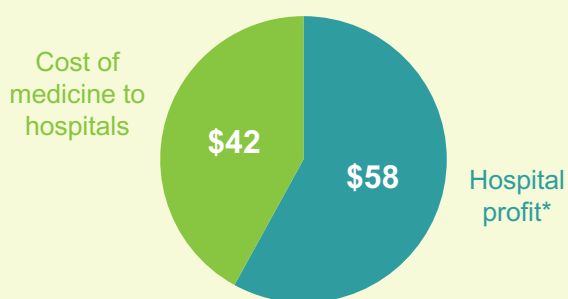
- Research indicates that commercial payers reimburse hospital clinics at a higher rate than physician offices.
- Hospital clinics also are eligible for discounts not offered to physician practices, such as the 340B Drug Pricing Program.

PHYSICIAN OFFICES TREAT ABOUT 30% MORE OF COMMERCIALY INSURED ONCOLOGY PATIENTS THAN HOSPITAL CLINICS, BUT HOSPITALS RECEIVE A LARGER SHARE OF THE GROSS PROFITS.



Hospitals collect 87% of the gross profit margin while serving 43% of patients receiving physician-administered oncology medicines.

HOSPITAL CLINICS RETAIN MORE THAN BIOPHARMACEUTICAL MANUFACTURERS FOR MEDICINES ADMINISTERED IN THE OUTPATIENT SETTING.



*Other intermediary payments that reduce manufacturer retained amount (such as GPO administration fees) are not included in analysis.

METHODS

- We developed a Microsoft Excel based model to estimate markups received by hospitals and physician offices from oncology drugs, for commercially insured patients in 2017.
- Total provider surplus on medical pharmacy as well as profit margin for hospital and physician offices were obtained from published literature.¹
- Site of service mix between physician office and hospital outpatient department was estimated by the share of utilization based on data obtained from an industry report developed by Magellan.²

REFERENCES

1. Yu NL, Atteberry P, Bach PB. Spending On Prescription Drugs In The US: Where Does All The Money Go? *Health Affairs*. <https://www.healthaffairs.org/doi/10.1377/hblog20180726.670593/full/>. Published July 31, 2018. Accessed March 27, 2019.
2. Magellan Rx Management. Medical Pharmacy Trend Report. 7th and 8th Edition. 2016, 2017. Based on office share reported on page 20 of the 2017 report, in Exhibit titled "2016 by the Numbers," assuming that home utilization remains 4% as reported in 2016 report in Figure 17.