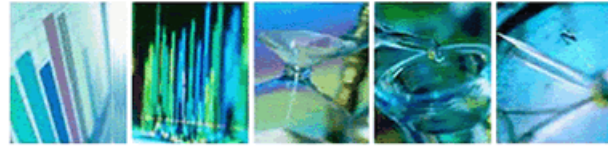




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*Strategic Solutions for Managed Markets*

## Oncologists and Payers – The Buy and Bill Model

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In an oncology category marked by steady change, there has been one constant dynamic: oncologists fight to protect the buy-and-bill business model and payers long to transition oncologists out of the drug business. However, even that fundamental relationship has started to change.

According to the Winter 2009 Managed Care Oncology Index, a semi annual study that looks at the oncology landscape through the eyes of 100 payers and 100 oncologists, 40% of oncologists would prefer that infused therapies be distributed through specialty pharmacy providers. Furthermore, payers no longer see buy-and-bill as the ultimate evil; 36% of payers cite oncologist buy-and-bill as their preferred distribution channel for infused oncology therapies.

These findings bring up an essential question: What changes in the oncology landscape have transformed the value proposition of the buy-and-bill business model? The answer: ASP reimbursement methodology.

As payers have transitioned physician reimbursement contracts to ASP reimbursement, there has been a significant reduction in the dollars oncologists receive to cover their drug costs. Faced with thinner margins, or even having to take a financial loss, the oncologists contracted at the most aggressive ASP rates are willing to extract themselves from the drug business.

At the same time, payers believe that ASP adoption has worked to neutralize some of the perverse financial incentives that drove oncologist misuse of cancer therapies. In the absence of these perverse incentives, payers are willing to allow oncologists to remain in the buy-and-bill business, often preferring oncologist office based care to that delivered at other treatment locations, such as hospitals.

This significant change in market dynamics forces drug companies to consider a number of strategic questions:

- How does the value proposition of my product change based on the oncologist reimbursement environment?
- How can I tailor my oncology strategy to account for both the stakeholders who cling to buy-and-bill and those who are open to distribution by specialty vendors?
- How has the erosion of the buy-and-bill business model impacted the market for oral oncologics?

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