

# Hospitals collect significant revenues from physician administered drugs

## COMPLEX TREATMENTS REQUIRE ADMINISTRATION BY PHYSICIANS

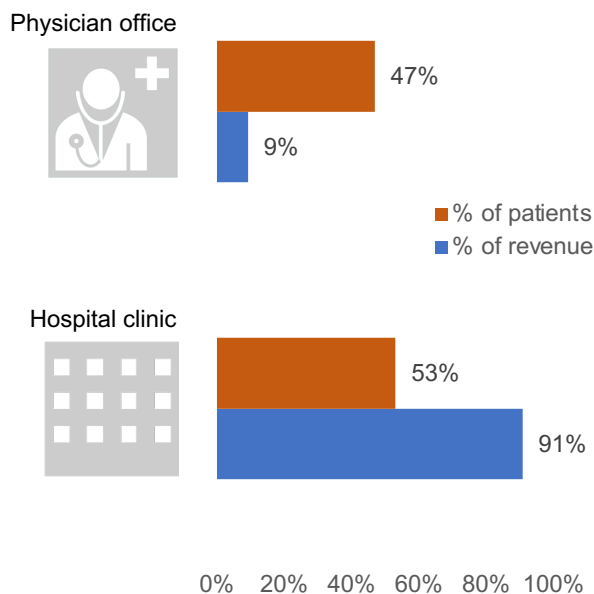
- Injectable and infused drugs—such as those for rheumatoid arthritis and oncology—are typically administered in an outpatient setting or during hospital stays
- Those given in the outpatient setting are primarily administered by providers at a physician office or at a hospital clinic

## COMPLEX TREATMENTS COME WITH COMPLEX FINANCES

- Several studies have shown that commercial payers reimburse hospital clinics at a higher rate<sup>1,2</sup>
- Due to the federal 340B Drug Pricing program, manufacturers are required to provide hospital clinics with drugs at a steep discount

## HOSPITALS ARE ABLE TO CHARGE MORE FOR DRUGS WHILE BUYING THEM FOR LESS

Hospitals collect 91% of the revenue while serving 53% of patients receiving physician administered drugs

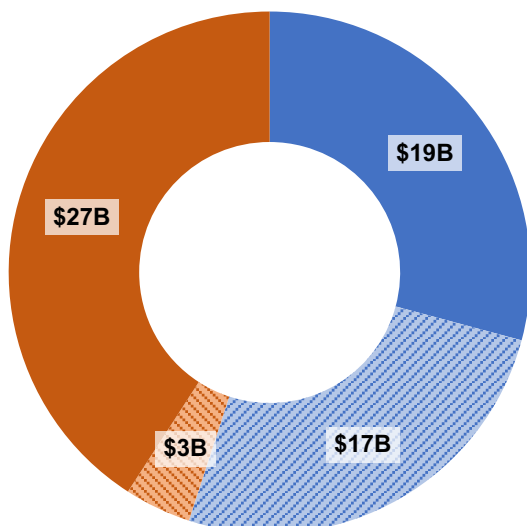


For every \$100 spent on physician administered drugs in the hospital clinic setting, the hospital retains \$58, while the manufacturer gets \$42



## INCREASING HOSPITAL PROFITS ARE A CONTRIBUTOR TO PHARMACEUTICAL SPENDING

In 2016, hospitals retained more than \$27 billion of the estimated \$66 billion spending on physician administered drugs in the outpatient setting



- manufacturer share of spending in the hospital clinic setting
- manufacturer share of spending in the office setting
- provider share of spending in the office setting
- provider share of spending in the hospital clinic setting

## METHODS AND LIMITATIONS

1. Calculations are based on Yu et al.'s "Spending On Prescription Drugs In The US: Where Does All The Money Go?" and Magellan Rx's 2016 Medical Pharmacy Trend Report.
2. Results are calculated assuming that 52%, 46%, and 2% of patients received physician administered drugs in a hospital clinic, in a physician office, and at home, respectively.<sup>3</sup> A ± 25% change in relative share of office and clinic would result in 85% to 95% of revenue retained at the hospitals.
3. Results are calculated assuming profit margins of 140% and 16% at the hospital clinic and physician office, respectively.<sup>4</sup> A ± 25% change in provider markup would result in \$51 to \$64 retained by hospitals for every \$100 spent on physician administered drugs in the outpatient setting.
4. Other intermediary payments that reduce manufacturer retained amount (such as GPO administration fees) are not included in analysis.

## REFERENCES

1. Winn, Aaron N., et al. "Spending by commercial insurers on chemotherapy based on site of care, 2004-2014." *JAMA oncology* 4.4 (2018): 580-581.
2. Kalidindi, Yamini, Jeha Jung, and Roger Feldman. "Differences in spending on provider-administered chemotherapy by site of care in Medicare." *The American journal of managed care* 24.7 (2018): 328.
3. Magellan Rx Management. *Medical Pharmacy Trend Report. Seventh Edition* (2016).
4. Nancy, L. Yu, Preston Atteberry, and Peter B. Bach. "Spending On Prescription Drugs In The US: Where Does All The Money Go?." *Health Affairs* (2018).