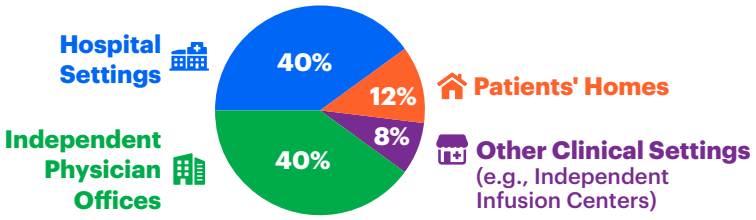
Administering Cancer Drugs in Safe, Clinically Effective, Lower-Cost Settings Can Save Employers and Commercially Insured Individuals $12 Billion a Year

High-cost specialty drugs administered by clinicians via infusion or injection account for over $100 billion in annual spending for commercially insured individuals[1] and represent a key driver of cost growth.[2,3] **Hospital outpatient departments and hospital-owned physician practices receive the highest payments** for specialty drugs and their administration, despite evidence that **independent physician offices, patients' homes, and independent infusion centers offer advantages**:

- Administering specialty drugs outside hospital settings can reduce the risk of medication-related adverse events, emergency department visits, and hospital admissions.[4]
- Patients receiving treatment at home report high satisfaction,[5] time savings,[6] fewer work and family disruptions,[7] and improved quality of life and well-being.[8,9,10]

Among all commercially insured patients receiving administered drugs in 2024, approximately 40% of infusions and injections occurred in hospital outpatient departments or hospital-owned physician practices.[11]

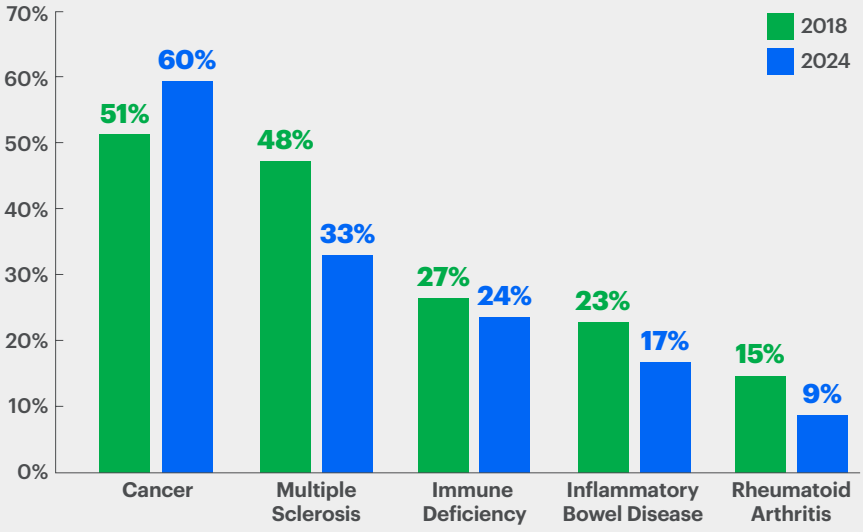


While the administration of most specialty drugs continued moving into independent physician offices, patients' homes, and independent infusion centers, administration of cancer drugs increased in higher-cost hospital settings. Between 2018 and 2024:[12]

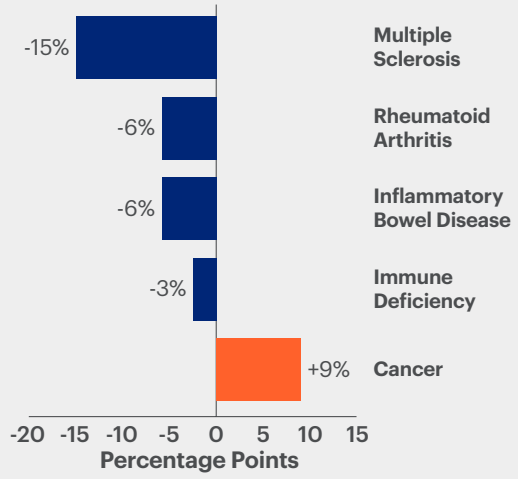
The share of cancer patients receiving treatment in hospital settings **increased to 60%**.

The share of patients with immune deficiency, multiple sclerosis, inflammatory bowel disease, and rheumatoid arthritis receiving treatment in hospital settings **declined to one-third or lower**.

Share of Commercially Insured Patients Receiving Administered Drugs in Hospital Settings, 2018 and 2024



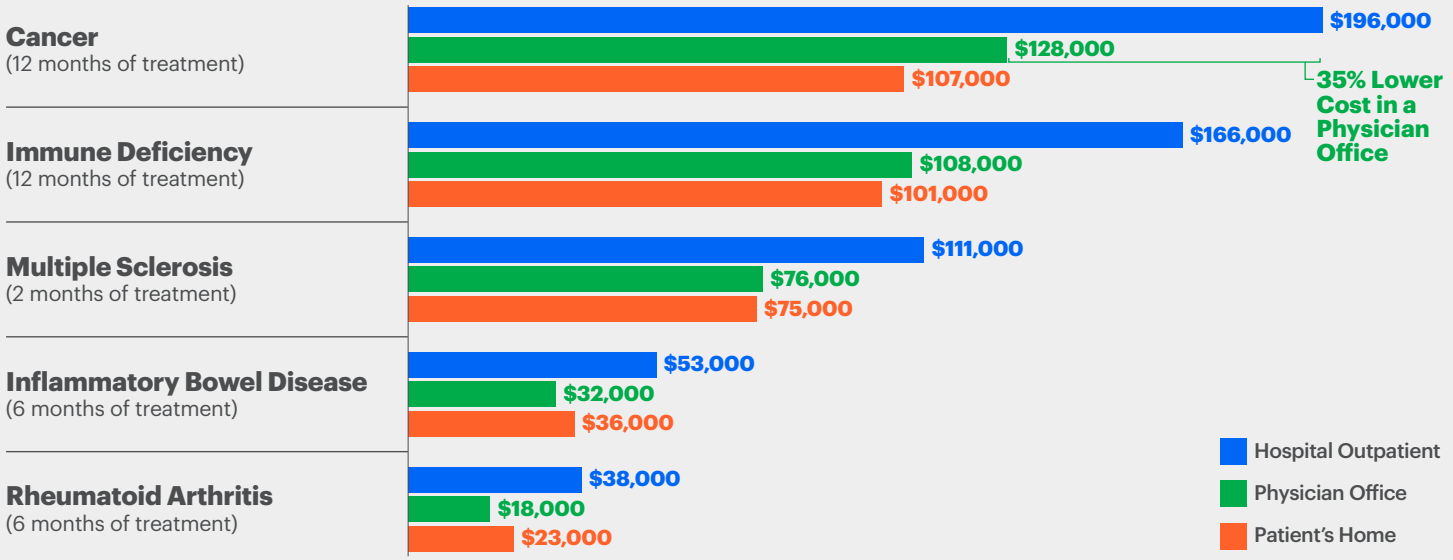
Change in Share of Commercially Insured Patients Receiving Administered Drugs in Hospital Settings, 2018–2024



The Savings Opportunity for Cancer Drugs

Administering specialty drugs in independent physician offices and patients' homes instead of hospital outpatient settings reduces the cost of drugs and their administration by 32% to 39% per commercially insured patient for the five conditions that drive over 70 percent of spending on administered drugs.[13]

Average Annual Cost of Administered Drugs per Commercially Insured Patient, 2024



Many cancer patients continue to receive administered drugs in high-cost hospital outpatient settings, regardless of clinical need, patient preferences, or cost-effectiveness. One important reason is that **nearly half of all U.S. physicians are employed by hospitals or working in hospital-owned practices**.[14] In the commercial insurance market, **hospitals receive substantially higher payments than independent physician offices to supply and administer the same drugs**, even when hospital-based physicians practice in the same type of office-based settings as independent physicians.

Hospital Outpatient Settings and the 340B Program

Over the past decade, hospital acquisition of physician practices and other providers has been a major contributor to drug spending growth under the federal 340B Drug Pricing Program.[15] **340B hospitals can purchase outpatient drugs at steep discounts and negotiate commercial payments independent of acquisition cost.** For infused drugs, 340B hospitals retain a substantially larger share of health plan payments than independent physician offices.[16] When 340B hospitals acquire physician practices, those practices can purchase drugs at the lower 340B prices, contributing to increased volume and spending under the program.[17]

Reducing the share of cancer patients who receive infusions and injections in hospital outpatient settings from 60% to 30% – in line with other administered specialty drugs – would save employers and commercially insured individuals an estimated $12 billion each year.

Potential Annual Savings from Moving Administration of Cancer Drugs to Lower-Cost Settings

35% lower average cost in independent physician offices → **$68,000** savings per patient per year × **180,000** patients moved from hospital settings = **$12 billion** in savings each year

Methodology

Utilization and costs of administered specialty drugs provided under the medical benefit in outpatient settings were analyzed for UnitedHealthcare (UHC) members with fully insured employer coverage using 2018 and 2024 claims data. The share of patients receiving administered drugs in each setting represents the distribution of treatment by member months. Costs per member per therapy month, inclusive of drug and administration costs, were analyzed for drugs that treat the following five conditions, which collectively account for an estimated 70 percent of spending on administered drugs: cancer, immune deficiency, multiple sclerosis, inflammatory bowel disease, and rheumatoid arthritis. Cancer drugs include chemotherapy, targeted therapy, and immunotherapy drugs; therapies that are principally supportive in nature are not included.

Payments to providers were normalized using a relativity index from the Centers for Medicare & Medicaid Services and then adjusted for case mix to account for variation across patients related to dosage strength, quantity, and unit type, as well as other factors, including patient body weight and disease severity. Annual costs and potential annual savings reflect the average treatment duration in months for the most common drugs for each condition.

Potential annual savings per cancer patient from moving drug administration out of hospital outpatient settings were estimated by calculating the difference between the average hospital cost and the average cost in an independent physician office while maintaining the same level of care.

To estimate potential systemwide savings for the commercial market, the disease prevalence, utilization rates, sites of administration, and per capita costs for UHC members in 2024 were applied to the estimated number of commercially insured individuals in the U.S. The savings estimate assumes that half the current volume of hospital outpatient administration of cancer drugs for cancer patients can be moved to independent physician offices.

Citations and Notes

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