Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2017

- FFS beneficiaries: About 394,000
- Providers: About 7,000 facilities
- Medicare FFS dialysis spending: $11.4 billion

Source: MedPAC analysis of 2017 100 percent claims submitted by dialysis facilities to CMS and CMS’s Dialysis Compare files.

Data are preliminary and subject to change.
Follow-up from December meeting

- Proportion of dialysis revenue from non-Medicare payers
- Patient education for chronic kidney disease
- Revision of transitional drug add-on payment adjustment beginning in 2020
- Dialysis PPS facility-level payment adjustment for low volume and rural areas
Payment adequacy indicators generally positive

- **Beneficiaries’ access to care**
  - Net increase in number of facilities (about 250)
  - Few facility closures and few beneficiaries affected by closures in 2016

- **Capacity of providers**
  - Growth in number of dialysis treatment stations (3%) exceeded FFS dialysis beneficiary growth (0.4%)

- **Volume of services**
  - Total number of dialysis FFS beneficiaries and dialysis treatments remained steady
  - 17% marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries
Payment adequacy indicators generally positive, cont.

- **Quality of care**
  - Modest decrease in mortality, admissions, re-admissions
  - Increasing proportion of home dialysis beneficiaries
  - Increasing proportion of dialysis beneficiaries using emergency department

- **Access to capital**
  - Increasing number of facilities that are for-profit and freestanding
  - Both large and small multi-facility organizations have access to private capital to fund acquisitions
### 2017 Medicare margin

<table>
<thead>
<tr>
<th>Type of freestanding dialysis facility</th>
<th>Medicare margin</th>
<th>% of freestanding dialysis facilities</th>
<th>% of total freestanding dialysis treatments</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>-1.1%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Urban</td>
<td>-0.4</td>
<td>82%</td>
<td>88%</td>
</tr>
<tr>
<td>Rural</td>
<td>-5.5</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Treatment volume (quintile)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest</td>
<td>-21.3</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>Second</td>
<td>-10.6</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Third</td>
<td>-3.4</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Fourth</td>
<td>0.8</td>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>Highest</td>
<td>5.4</td>
<td>20%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Note: Freestanding dialysis facilities furnish 95 percent of all Medicare FFS dialysis treatments.
Source: MedPAC analysis of 2017 freestanding dialysis cost reports and 2016 100 percent claims submitted by dialysis facilities to CMS.

Data are preliminary and subject to change.
Projected Medicare margin in 2019

- Payment factors considered:
  - 2018 factors
    - Net payment update of 0.3%
    - Regulatory changes to increase total payments by 0.2%
    - QIP to reduce total payments by 0.14%
  - 2019 factors
    - Net payment update of 1.3%
    - Regulatory changes to increase total payments by 0.3%
    - QIP to reduce total payments by 0.15% in 2019

- 2019 projected Medicare margin: −0.4%

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Policy changes in 2020

- Statutory update in 2020 is market basket less a productivity adjustment; currently estimated at 1.9%
- CMS projects a QIP reduction of total ESRD payments of 0.35%
- CMS will begin to pay facilities separately for all new drugs without any offset to the PPS base payment rate under the revised transitional drug add-on payment adjustment policy

QIP (Quality Incentive Program)
Summary: Payment adequacy indicators generally positive

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for most measures
- Access to capital is robust
- 2017 Medicare margin: −1.1%
- 2019 projected Medicare margin: −0.4%

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