

Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2016

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 390,000
- Providers: About 6,700 facilities
- Medicare FFS dialysis spending: \$11.4 billion

Source: MedPAC analysis of 2016 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

Payment adequacy factors

- Beneficiaries' access to care
 - Supply and capacity of providers
 - Volume of services
- Changes in the quality of care
- Providers' access to capital
- Payments and costs

Dialysis capacity continues to increase

- Between 2015 and 2016, dialysis treatment stations increased by 3%; capacity growth exceeded beneficiary growth (1%)
- In 2016 net increase in number of facilities
- Few facilities closed in 2015; closed facilities (approximately 40) were more likely to be smaller, nonprofit, and hospital-based compared to all facilities
- Analysis suggests that beneficiaries affected by closures (about 0.5%) received care at other facilities

Source: MedPAC analysis of 2011-2016 100 percent claims submitted by dialysis facilities to CMS.

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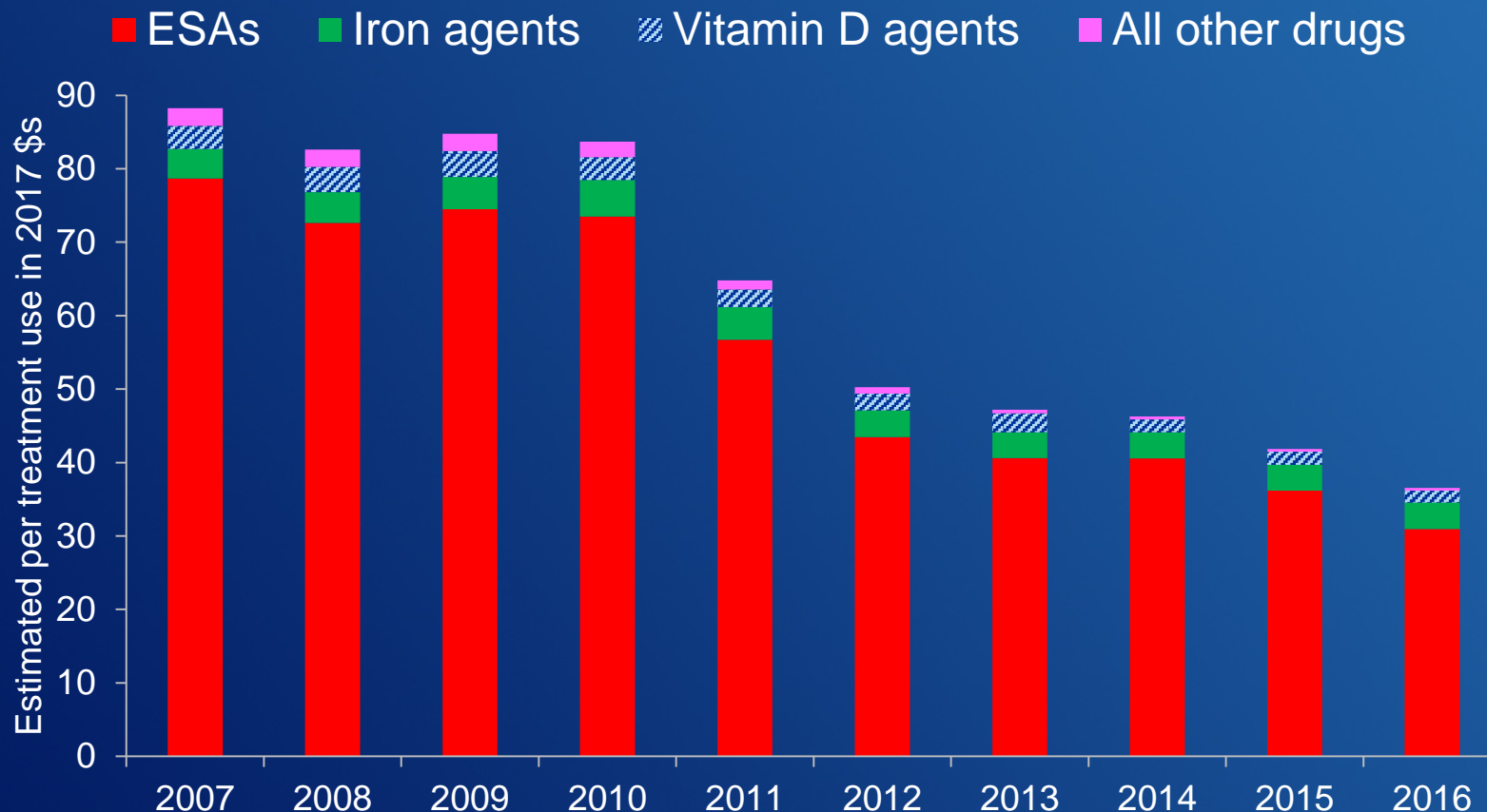
Growth in beneficiaries and dialysis treatments

- Between 2015 and 2016, the total number of dialysis FFS beneficiaries increased by 1% and the total number of dialysis treatments increased by 3%
- Increase in average (non-annualized) treatments per beneficiary between 2015 and 2016

Source: MedPAC analysis of 2015-2016 100 percent claims submitted by dialysis facilities to CMS.

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Use of dialysis drugs declined under the PPS (holding price constant)



Note: Dollars per treatment calculated by multiplying drugs units reported on claims by 2017 average sales price. Drugs included are: epoetin alfa, epoetin beta, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate, ferumoxytol, ferric carboxymaltose (iron agents); calcitriol, doxercalciferol, paricalcitol (vitamin D agents); daptomycin, vancomycin, alteplase, and levocarnitine (all other drugs). ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 2007-2016 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Dialysis quality between 2011 and 2016

- Modest decrease in:
 - Mortality from 16% to 15%
 - Admissions per beneficiary from 1.7 to 1.5
 - Readmissions from 23% to 21%
- Home dialysis increase from 8.8% to 10.8%
- Percent of dialysis beneficiaries meeting guidelines for dialysis adequacy remains high

Source: MedPAC analysis of Medicare claims and enrollment data. Results are unadjusted for differences in patient characteristics over time period. Data are preliminary and subject to change.

Providers' 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
- Since 2011, two largest dialysis organizations have grown through acquisitions and mergers with mid-sized dialysis organizations and physician services organizations

2016 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities	% of total freestanding dialysis treatments
All	0.5%	100%	100%
Urban	1.3	82	88
Rural	-4.9	18	12
Treatment volume (quintile)			
Lowest	-17.1	20	7
Second	-7.9	20	12
Third	-2.6	20	17
Fourth	1.9	20	24
Highest	6.7	20	39

- 2016 Marginal profit: 17.2%

Source: MedPAC analysis of 2016 freestanding dialysis cost reports and 2016 100 percent claims submitted by dialysis facilities to CMS.

Projected Medicare margin in 2018

- Payment factors considered:
 - Rebasing the base payment rate to account for lower drug use under the dialysis PPS
 - Protecting Access to Medicare Act of 2014 decreases the update to the 2017 and 2018 base payment rate by 1.25 and 1 percentage points, respectively
 - Net payment updates of 0.55% in 2017 and 0.30% in 2018
 - Regulatory changes that increase total payments by about 0.2 percent in 2017 and 2018
 - QIP reductions of total payments by 0.13% in 2017 and 0.14% in 2018

Data are preliminary and subject to change

Policy changes in 2019

- Statutory update in 2019 is market basket less a productivity adjustment, which is currently estimated at 1.3%
- CMS projected a QIP reduction of total ESRD payments of 0.15%

Summary of payment adequacy

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital is adequate
- 2016 Medicare margin: 0.5%
- 2016 Marginal profit: 17.2%

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