Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2017

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- 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 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
  - Dialysis marginal profitability
- Changes in the quality of care
- Providers’ access to capital
- Payments and costs
Dialysis capacity continues to increase

- Between 2016 and 2017, dialysis treatment stations increased by 3%; capacity growth exceeded beneficiary growth (0.4%)
- Net increase in number of facilities (about 250)
  - Few facilities closed in 2016; closed facilities (about 40) were more likely to be smaller, nonprofit, and hospital-based compared to all facilities
  - Analysis suggests that beneficiaries affected by closures (about 0.3%) received care at other facilities

Source: MedPAC analysis of 2012-2017 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.
Growth in beneficiaries and dialysis treatments

- Between 2016 and 2017, the total number of dialysis FFS beneficiaries, total number of dialysis treatments, and average (non-annualized) treatments per beneficiary remained steady
  - Declining incidence rate of ESRD
  - Declining share of prevalent ESRD patients in FFS Medicare
  - Greater uniformity in paying for three dialysis sessions per week
- 17% marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries
Use of dialysis drugs declined under the PPS (holding price constant)

Note: Dollars per treatment calculated by multiplying drugs units reported on claims by 2018 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 2007-2017 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.
Dialysis quality between 2012 and 2017

- Percent of dialysis FFS beneficiaries meeting guidelines for dialysis adequacy remains high
- Modest decrease in:
  - Admissions per beneficiary from 1.7 to 1.5
  - Readmissions from 22% to 21%
- Home dialysis increase from 9.5% to 11.0%
- Percent of beneficiaries with ED visit increased from 10% to 12%

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
- Under the dialysis PPS, two largest dialysis organizations have grown through acquisitions and mergers with mid-sized dialysis organizations
- 2017 all payer margin estimated at 23%

Data are preliminary and subject to change.
# 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>
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<tr>
<td>Rural</td>
<td>-5.5</td>
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<td>Treatment volume (quintile)</td>
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<tr>
<td>Lowest</td>
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<tr>
<td>Second</td>
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</tr>
<tr>
<td>Third</td>
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<tr>
<td>Fourth</td>
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<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% based on Protecting Access to Medicare Act of 2014, which reduced 2018 statutory update by 1 percentage point to reflect lower drug use
    - Regulatory changes to increase total payments by 0.2%
    - QIP reduce total payments by 0.14%
  - 2019 factors
    - Net payment updates of 1.3%
    - Regulatory changes to increase total payments by 0.3%
    - QIP reduce total payments by 0.15% in 2019

Data are preliminary and subject to change
Policy changes in 2020

- Statutory update in 2020 is market basket less a productivity adjustment, which is currently estimated at 1.9%
- CMS projected 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
Summary of payment adequacy

- 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%

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