

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

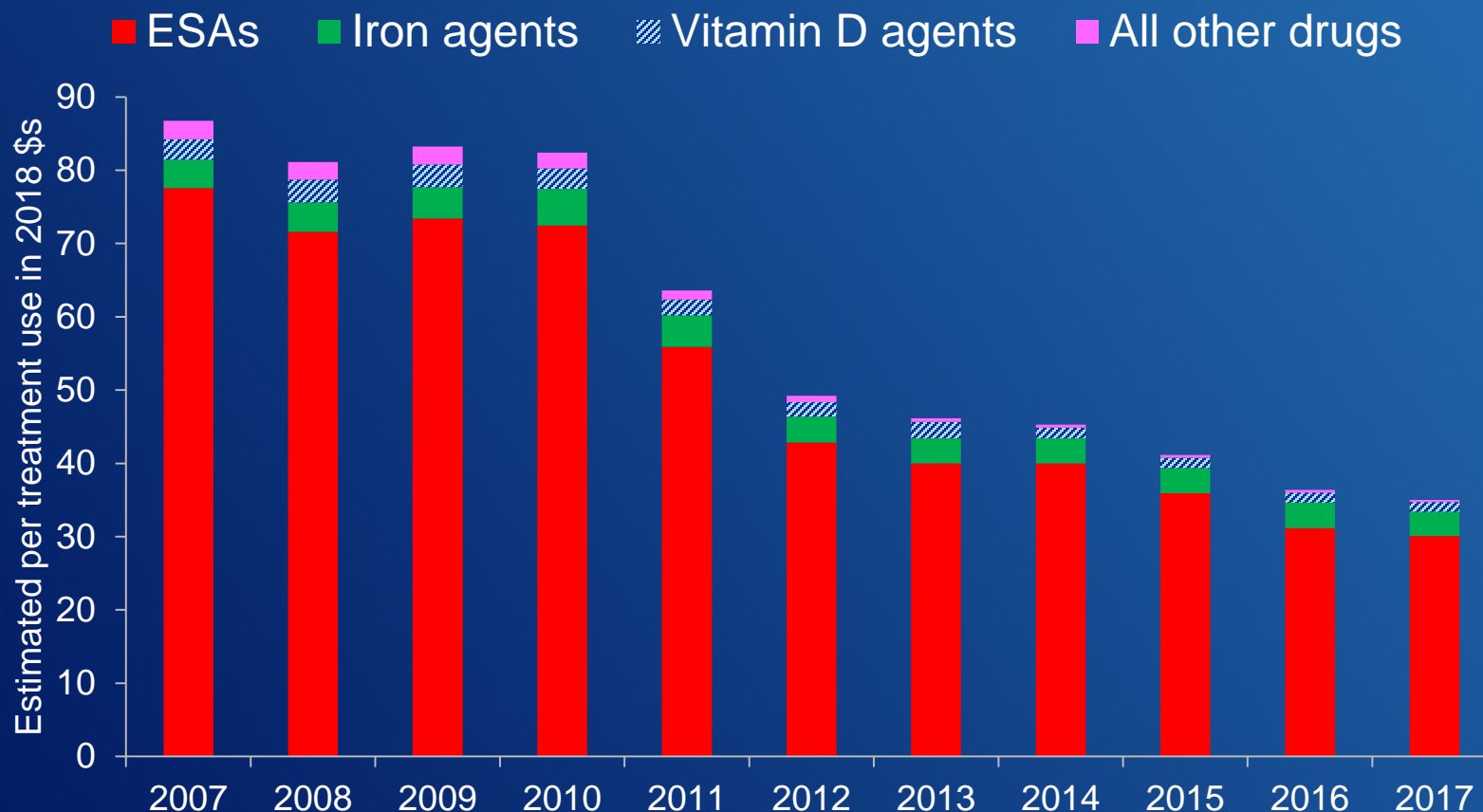
- Between 2016 and 2017, dialysis treatment stations increased by 3%; capacity growth exceeded beneficiary growth (0.4%)
- Net increase in number of facilities (about 250)
 - Few facilities closed in 2016; closed facilities (about 40) were more likely to be smaller, nonprofit, and hospital-based compared 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

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

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.

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

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%

Data are preliminary and subject to change.