MEDPAC Medicare Payment Advisory Commission

MEETING BRIEF

September 11-12, 2003

Outpatient dialysis payment issues

ISSUE: What are the key issues that the Secretary should address when broadening the composite rate payment bundle and developing a dialysis market basket for services in the current composite rate? What are the major issues for MedPAC's analysis of the outpatient dialysis payment system in the coming year?

KEY POINTS: This paper discusses the Secretary's report submitted to the Congress that outlines the issues that CMS will consider as it proceeds with including commonly furnished injectable drugs and laboratory services into the outpatient dialysis payment bundle. The methods used to develop CMS's first dialysis market basket for composite rate services are also described in the report. Key issues that the report does not completely address include:

- Should the payment bundle be broadened to include other services commonly used and needed by dialysis patients, including vascular access services and Medicare-covered preventive services? Would including these services ultimately improve patients' quality of care and reduce program spending?
- Should Medicare continue to use method II as a payment method for home dialysis?
- Should Medicare continue to pay differently for one form of home dialysis, continuous cycling peritoneal dialysis, under method II?
- How frequently will the base weights of the dialysis market basket for services in the current composite rate be updated?

This paper also discusses MedPAC's workplan for assessing payment adequacy and updating outpatient dialysis payments for calendar year 2005. New analyses we plan on conducting this year include:

- Examining costs and the payment-to cost ratios of high-quality/low cost providers compared with all other providers.
- Examining the relationship between providers' costs and patient case-mix so that we can better understand the factors that affect providers' costs.
- Comparing the closure rate of facilities located in inner city areas to the closure rate of facilities located in other areas.

ACTION: Commissioners should discuss the issues we raise in the letter report and the draft recommendation. MedPAC's letter report is due to the Congress no later than November 12, 2003, six months following the release of the Secretary's report. In addition, Commissioners should comment on staff's approach for assessing the adequacy of outpatient dialysis payments and updating the composite rate payment for 2005.

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