



Advising the Congress on Medicare issues

Adequacy of outpatient dialysis payments

Nancy Ray

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Payment adequacy factors

- Beneficiaries' access to care
- Providers' capacity
- Changes in the volume of services
- Changes in the quality of care
- Providers' access to capital
- Payments and costs for 2009

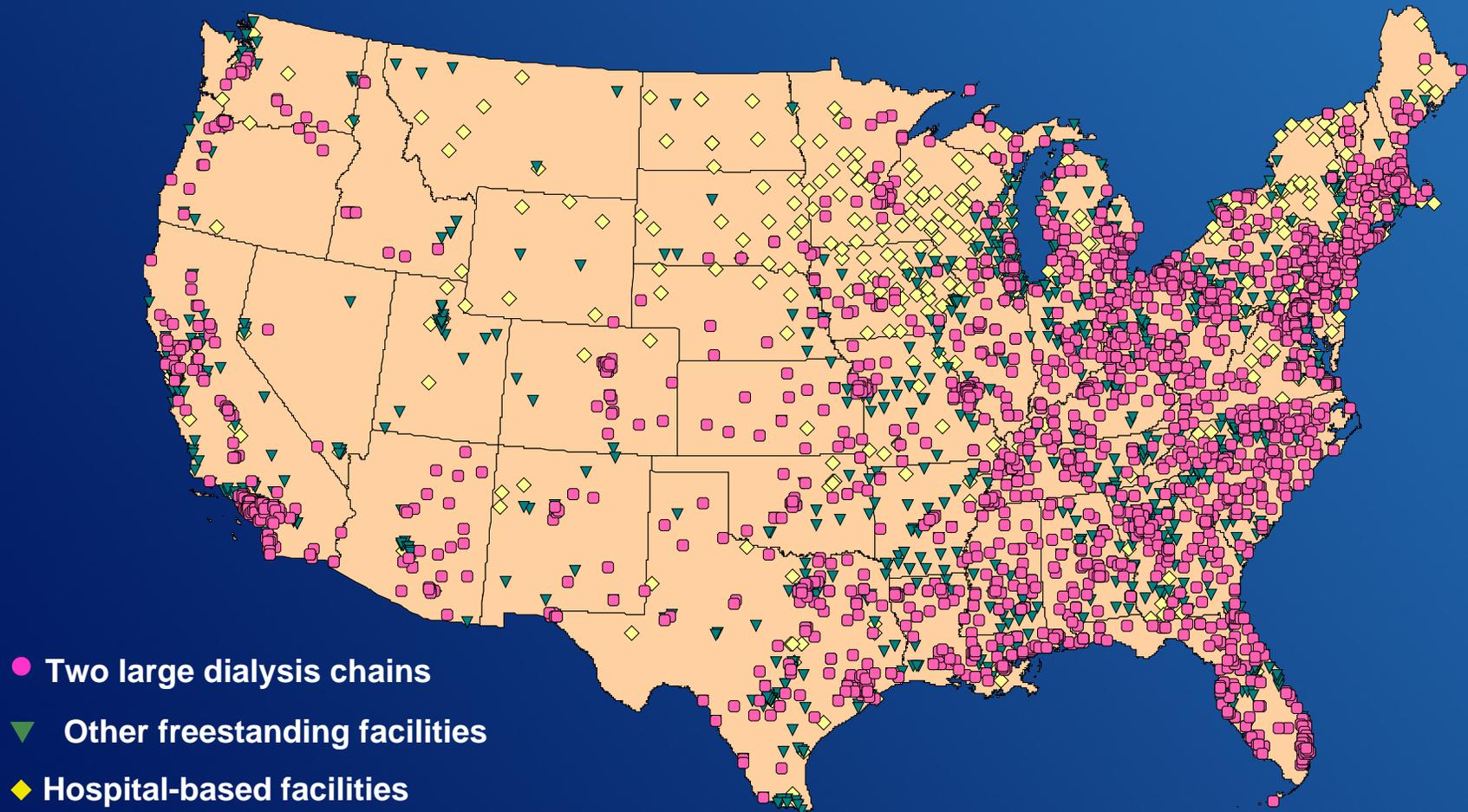
Beneficiaries' access to care

- Net increase in the number of facilities and stations from year to year
- The number of facilities and dialysis stations has kept pace with patient growth

What is the industry structure?

- Increasing proportion of facilities are freestanding and for profit
- About 60 percent of all facilities and 70 percent of freestanding facilities are affiliated with 2 national chains

Dialysis facilities by ownership



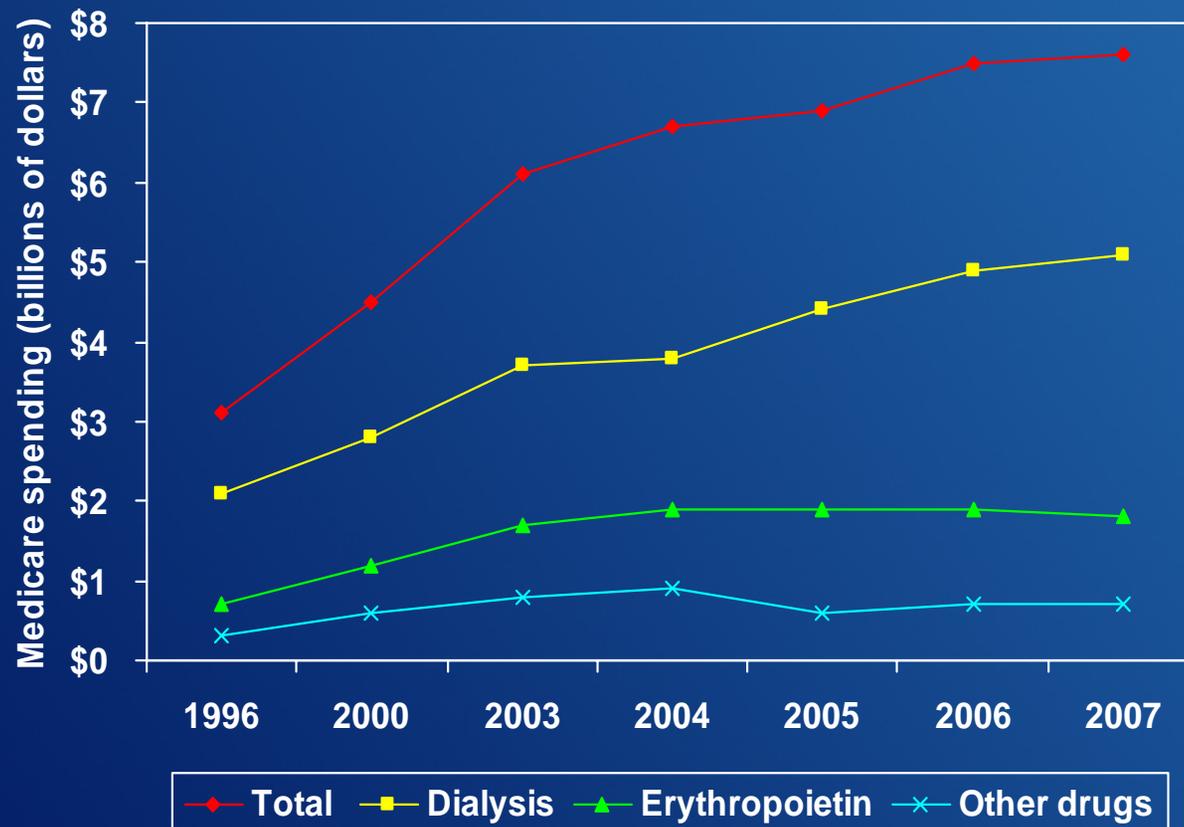
Dialysis volume and payments

- The growth in the number of in-center hemodialysis treatments generally kept pace with the growth in the number of dialysis patients
- Between 2004 and 2007, total payments to providers grew more slowly than in the past
 - Drug spending decreased while composite rate spending increased
- Reasons for trend
 - MMA
 - Change in epo volume

MMA changed outpatient dialysis payment method

- Decreased the payment rate of separately billable drugs; CMS paid:
 - Average acquisition payment for most dialysis drugs in 2005
 - 106 percent of the average sales price for all dialysis drugs in 2006 & 2007
- Increased the composite rate payment
 - Add-on payment was 14.9 percent in 2007

Medicare spending for composite rate services and dialysis drugs



This chart shows Medicare spending for freestanding dialysis facilities. Total spending includes spending for dialysis and separately billable dialysis drugs. Data are preliminary and subject to change.

Change in volume of erythropoietin

- Between 2006 and 2007, erythropoietin volume declined
- In 2006, CMS implemented a new erythropoietin monitoring policy
- In 2007, FDA issued black box warning

Quality of care between 2000 and 2006

- Proportion of patients receiving adequate hemodialysis remains high
- Proportion of patients with their anemia under control increased
- Proportion of patients receiving an AV fistula increased
- No improvement in patients' nutritional status
- Rates of hospitalization and mortality are high

Providers' access to capital

- Increasing number of facilities that are for profit and freestanding
- Two largest chains have enjoyed positive ratings from analysts
- Both small and large chains have access to private capital to fund acquisitions