



*Advising the Congress on Medicare issues*

# Assessing payment adequacy: outpatient dialysis services

Nancy Ray

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# Background

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- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Agenda
  - Overview of new payment method
  - Adequacy analysis

# Key features of the new PPS expected to begin in 2011

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- Broader payment bundle
- Adjustment for beneficiary characteristics
- Low volume adjustment
- Outlier policy
- Quality incentive program to begin in 2012

# Payment adequacy factors

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- Beneficiaries' access to care
  - Supply and capacity of providers
  - Volume of services & Medicare expenditures
- Changes in the quality of care
- Providers' access to capital
- Payments and costs for 2010

# Dialysis sector continues to grow

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- Net increase in the number of facilities from year to year
- 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

# Rural and urban facilities continue to grow

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	No. of facilities in 2009	Average annual growth since 2003	Percent LDO
All	5,211	3.5%	60%
Urban	3,929	3.6	60
Rural	1,282	3.2	58

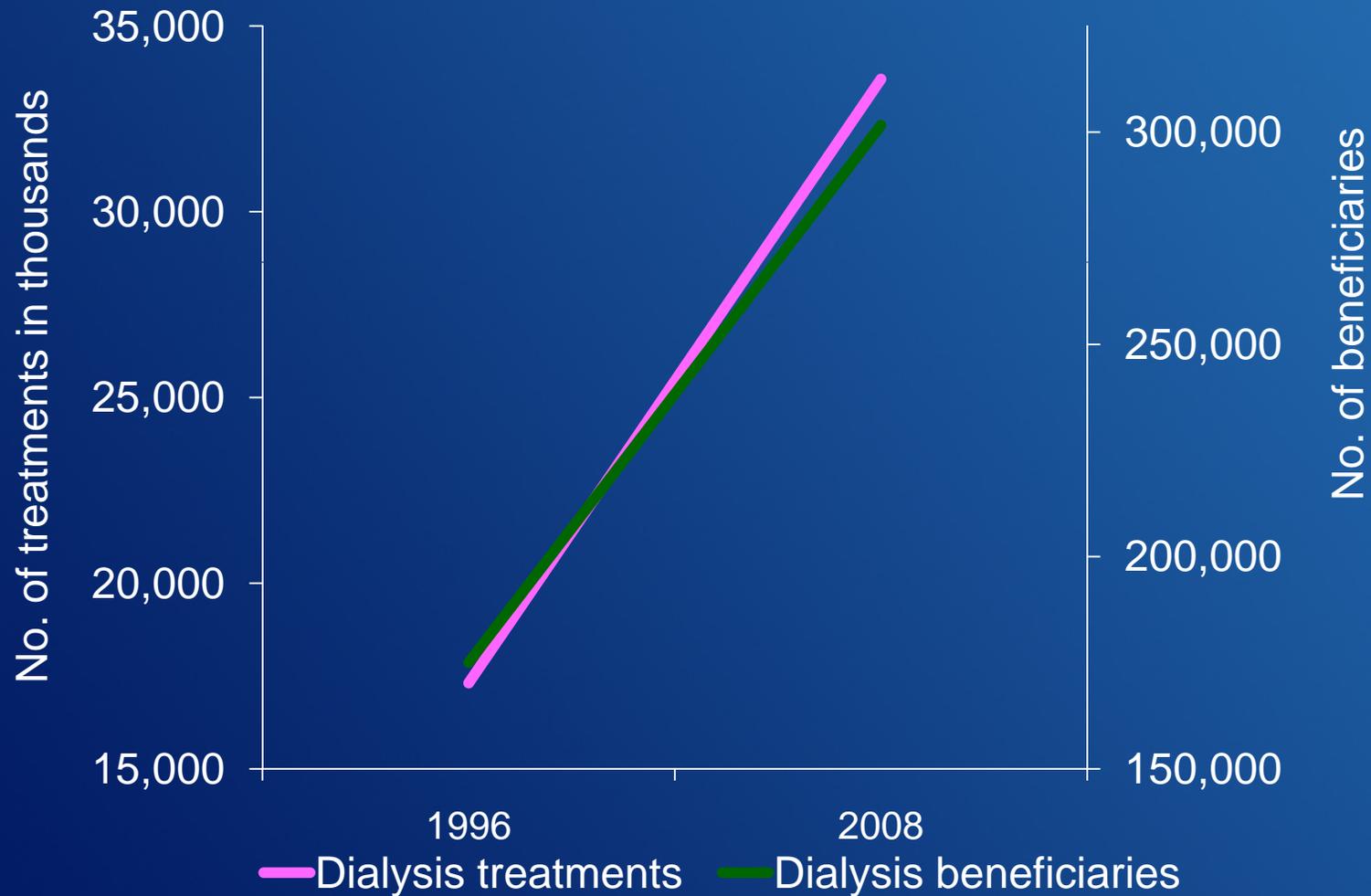
Data are preliminary and subject to change.

# Beneficiaries' access to care

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- The number of dialysis stations has kept pace with beneficiary growth
- Little change in the mix of patients cared for across provider types between 2007 and 2008
- Few facility closures—linked to size and profitability

# Growth in dialysis treatments keeps pace with growth in dialysis beneficiaries

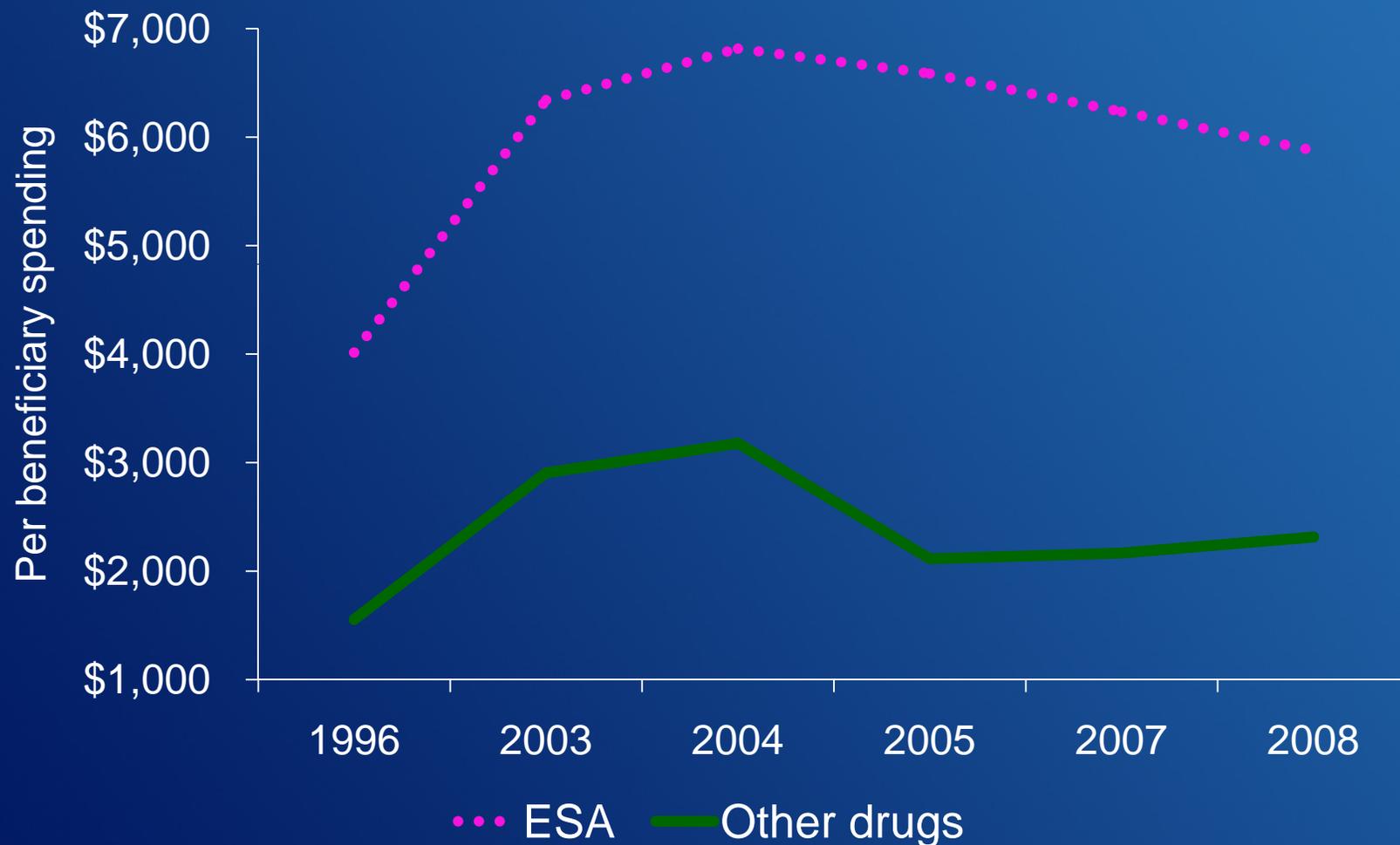


# Change in volume and expenditures for dialysis drugs

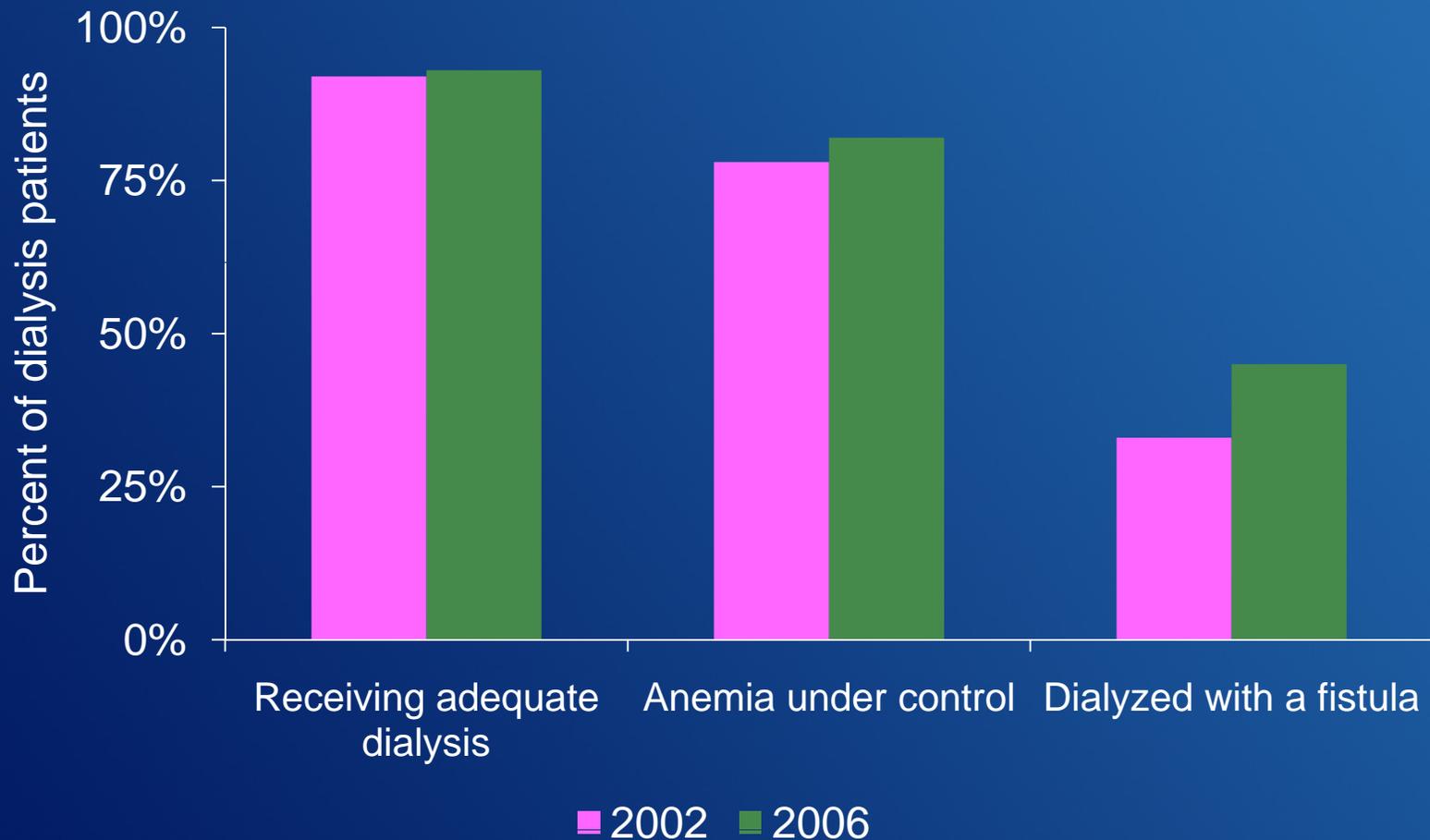
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- Since 2005, drug volume and expenditures to providers grew more slowly than in the past
- Reasons for trend
  - MMA
  - In 2006, CMS issued new ESA monitoring policy
  - New clinical evidence about ESAs
  - In 2007, FDA issued black box warning

# Per capita spending on drugs affected by regulatory and statutory changes and new clinical evidence



# Dialysis quality is high or improving for some measures



# Quality improvements are still needed for other measures

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- Nutritional status
- Rates of hospitalization
- Rates of readmission within 30 days
- Rates of mortality
- Proportion of patients registered on the kidney transplant list

# Providers' access to capital

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- Increasing number of facilities that are for profit and freestanding
- Two largest chains have received positive ratings from investor analysts
- Both small and large chains have access to private capital to fund acquisitions
- Investor analysts positive about the new PPS that is expected to begin in 2011