

Changes to the outpatient dialysis payment system

ISSUE: The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) refines and modernizes Medicare’s payment policies for outpatient dialysis. The new law also increases outreach and education programs for beneficiaries with chronic kidney disease.

KEY POINTS: MIPPA modifies the current dialysis payment method by updating the prospective payment rate that covers the cost of delivering dialysis—the composite rate—by 1 percent in 2009 and in 2010. In addition, it equalizes the base composite rate for hospital-based and freestanding dialysis facilities beginning in 2009.

MIPPA modernizes the payment system by broadening the dialysis payment bundle and linking payment to quality. Starting in 2011, Medicare’s prospective payment rate for dialysis will include services in the current composite rate bundle, separately billable dialysis drugs and their oral equivalents, separately billable laboratory tests, and other services provided to beneficiaries for the treatment of renal disease. The bundled payment will be adjusted for patient case mix, high cost cases, low-volume facilities, and other factors. The pay-for-performance program starts in 2012 and will withhold up to 2 percent of payments of those facilities that do not achieve or make progress toward specified quality measures, including dialysis adequacy and anemia management.

The new law also establishes a statutory annual update starting in 2012. This provision gives the Secretary the authority to annually increase the bundled payment by the market basket minus one percent.

ACTION: Commissioners could discuss whether they have concerns with the new law’s provisions for modernizing the outpatient dialysis payment system.

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