Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2017

- 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 by dialysis facilities to CMS and CMS’s Dialysis Compare files.

Data are preliminary and subject to change.
Follow-up from December meeting

- Proportion of dialysis revenue from non-Medicare payers
- Patient education for chronic kidney disease
- Revision of transitional drug add-on payment adjustment beginning in 2020
- Dialysis PPS facility-level payment adjustment for low volume and rural areas
Payment adequacy indicators generally positive

- Beneficiaries’ access to care
  - Net increase in number of facilities (about 250)
  - Few facility closures and few beneficiaries affected by closures in 2016

- Capacity of providers
  - Growth in number of dialysis treatment stations (3%) exceeded FFS dialysis beneficiary growth (0.4%)

- Volume of services
  - Total number of dialysis FFS beneficiaries and dialysis treatments remained steady
  - 17% marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries
Payment adequacy indicators generally positive, cont.

- **Quality of care**
  - Modest decrease in mortality, admissions, re-admissions
  - Increasing proportion of home dialysis beneficiaries
  - Increasing proportion of dialysis beneficiaries using emergency department

- **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
# 2017 Medicare margin

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

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%
    - Regulatory changes to increase total payments by 0.2%
    - QIP to reduce total payments by 0.14%
  - 2019 factors
    - Net payment update of 1.3%
    - Regulatory changes to increase total payments by 0.3%
    - QIP to reduce total payments by 0.15% in 2019

- 2019 projected Medicare margin: −0.4%

Data are preliminary and subject to change.
Policy changes in 2020

- Statutory update in 2020 is market basket less a productivity adjustment; currently estimated at 1.9%
- CMS projects 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 under the revised transitional drug add-on payment adjustment policy

QIP (Quality Incentive Program).
Summary: Payment adequacy indicators generally positive

- 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%
- 2019 projected Medicare margin: −0.4%

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