

# Assessing payment adequacy: outpatient dialysis services

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# Background

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- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Agenda
  - Overview of modernized payment method
  - Payment adequacy analysis

# Key features of the new PPS

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- Expands the payment bundle
  - Composite rate services
  - Part B dialysis drugs and their oral equivalents
  - ESRD-related laboratory services
  - Selected Part D drugs
- Adjusts for beneficiary characteristics
  - Age and body mass
  - 3 chronic and 3 acute comorbidities
  - Dialysis onset

# Key features of the new PPS

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- Adjusts for low volume
  - Based on total number of treatments
- Includes an outlier policy
  - Portion of bundle that was previously separately billable
- Provides for a four-year transition
- Applies budget-neutrality adjustment
  - MIPPA: 2 percent reduction in 2011

# Key features of the new PPS

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- Annually updates the payment rate
  - Implemented by MIPPA, modified by PPACA: market basket less productivity factor
- Links payment to quality
  - Medicare's first quality incentive program
  - 2 percent withhold
  - Will begin in 2012 using 1 measure on dialysis adequacy and 2 measures on anemia management

# Issues with new PPS

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- Use of drugs under a bundled payment method
  - Lower volume in 2010; industry data suggests volume decreases in 2011
- P4P measures in 2013 and 2014 do not hold providers accountable for outcomes associated with the under-provision of dialysis drugs
- Design of the low volume adjuster does not consider the distance to the nearest facility

# Payment adequacy factors

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

# Capacity growing for freestanding, chain, and for profit facilities

	No. of facilities in 2011 (percent)	Avg. annual growth since 2006	Growth since 2010
All	5,560 (100%)	4%	3%
Freestanding	5,010 (90%)	5%	4%
Hospital-based	550 (10%)	-2%	-4%
Affiliated with LDOs	3,433 (62%)	4%	5%
Affiliated with other chain	1,086 (20%)	8%	5%
Not affiliated with chain	1,041 (19%)	0.2	-4%
For profit	4,619 (83%)	5%	4%
Nonprofit	941 (17%)	0.2%	-2%
Urban	4,352 (78%)	4%	3%
Rural micropolitan	755 (14%)	4%	3%
Rural, adjacent to urban	281 (5%)	5%	3%
Rural, not adjacent to urban	172 (3%)	4%	3%

Data are preliminary and subject to change.



# Beneficiaries' access to care

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- The number of dialysis stations has kept pace with the growth in the number of all dialysis patients
- Few facility closures in 2009—linked to size and profitability
- Closures did not disproportionately affect patients based on age, sex, and race

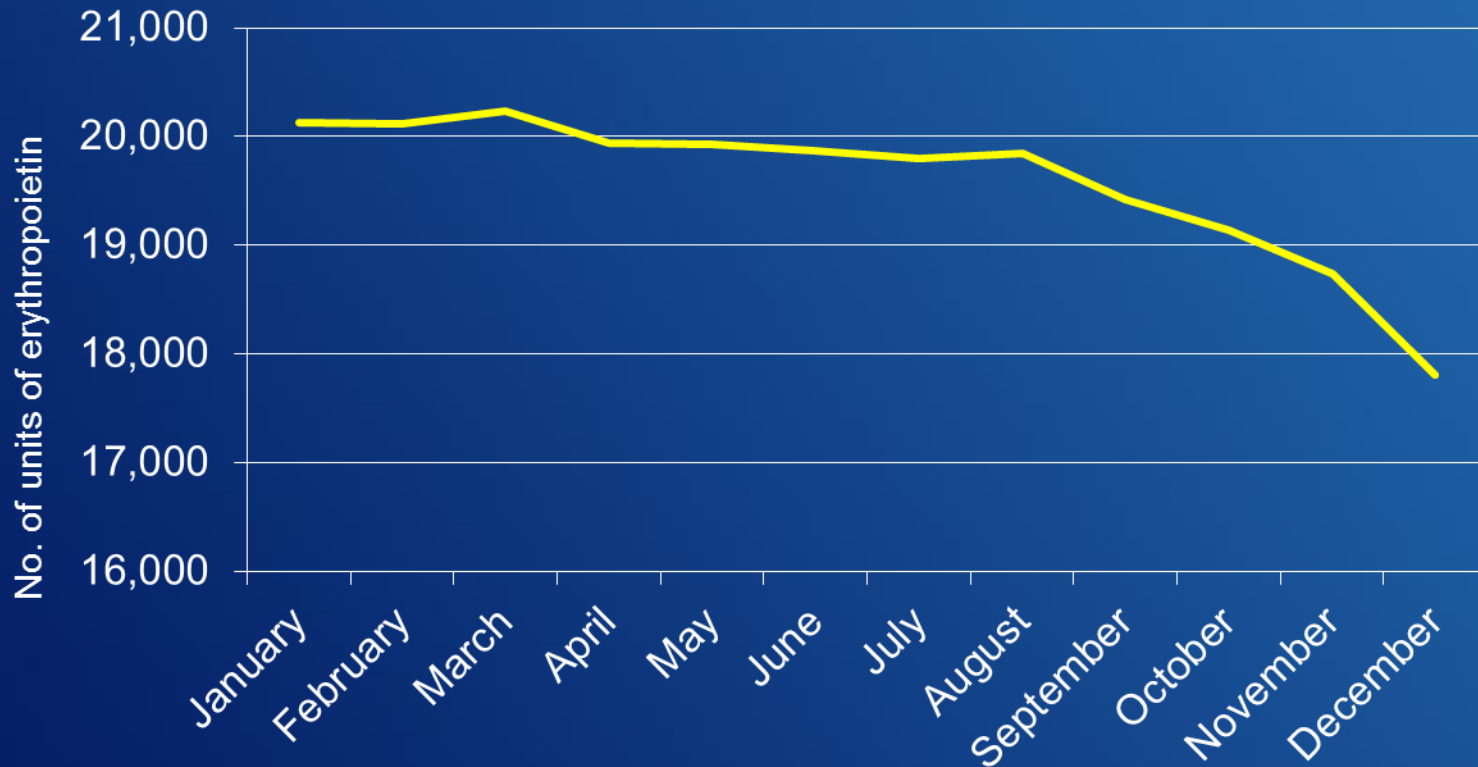
# Change in volume for dialysis treatments

- The number of dialysis FFS patients has kept pace with the growth in the number of all dialysis treatments

				Annual Growth	
	2005	2009	2010	2005-2010	2009-2010
FFS patients (in thousands)	320	343	357	2%	4%
Treatments (in millions)	35.3	38.8	40.6	3	5

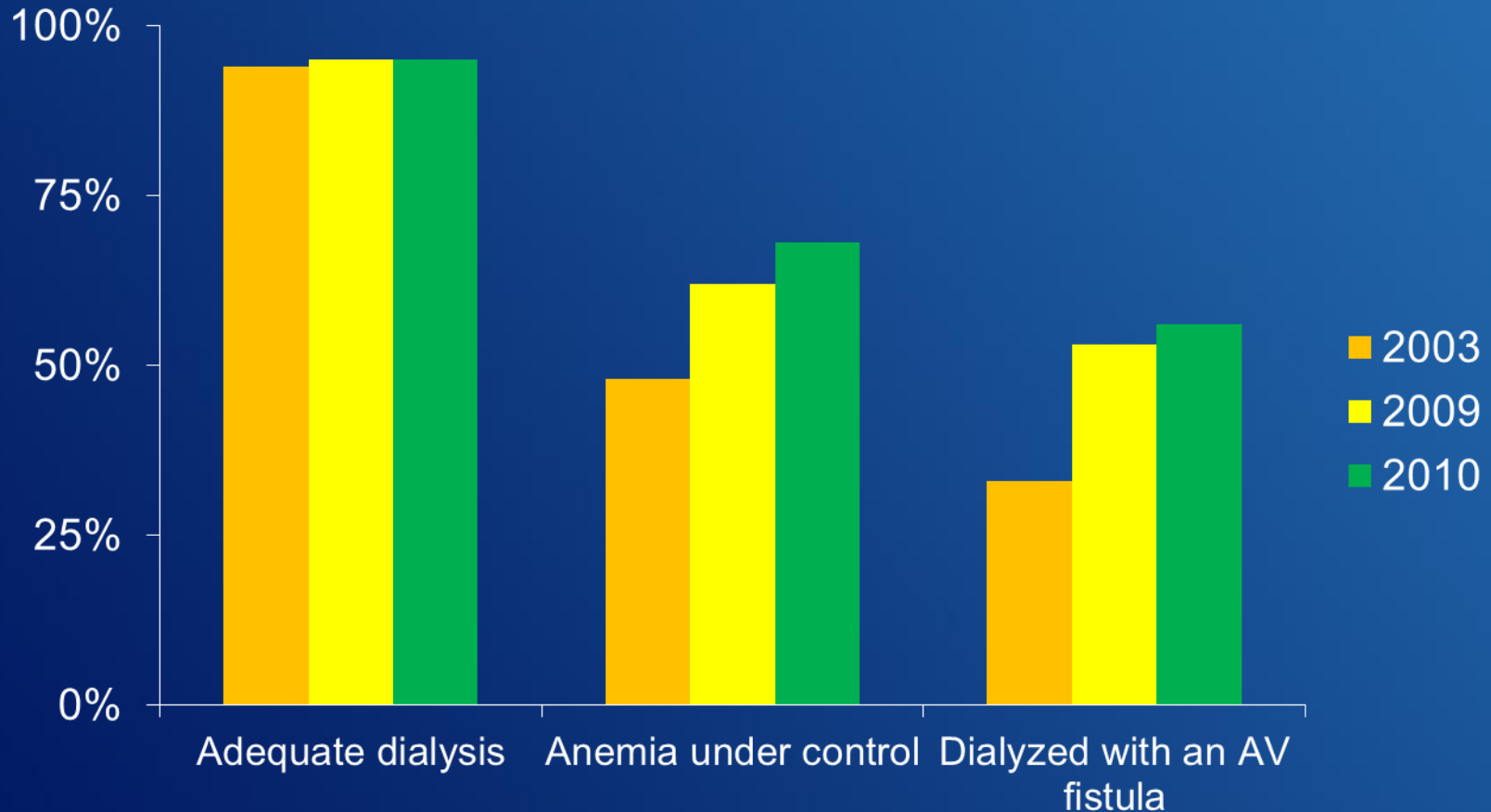
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# Change in erythropoietin use in 2010



Source: MedPAC analysis of mean dose per week using 2010 erythropoietin claims submitted by freestanding facilities. Data are preliminary and subject to change.

# Dialysis quality is high or improving for some measures



Source: Elab Project and Fistula First.  
Data are preliminary and subject to change.

# Quality improvements are still needed for other clinical measures and outcomes

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- Nutritional status
- Phosphorous and calcium management
- Rates of hospitalization
- Rates of mortality
- Proportion of patients registered on the kidney transplant list and rate of kidney transplantation

# Providers' access to capital

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- Increasing number of facilities that are for-profit and freestanding
- Large and small freestanding chains have similar growth in capacity
- Both large and small chains have access to private capital to fund acquisitions

# 2010 Medicare margin

Type of freestanding provider	Percent of spending by freestanding dialysis facilities	Medicare margin
All	100%	2.3%
Affiliated with 2 largest dialysis chains	69%	3.4%
Not affiliated with 2 largest dialysis chains	31%	0.1%
Urban	85%	3.4%
Rural	15%	-3.7%
Provided:		
> 10,000 treatments	46%	7.7%
≤ 10,000 treatments	54%	-2.3%

2010 Medicare margin includes payments and costs for composite rate services and dialysis drugs.