
# Assessing payment adequacy: outpatient dialysis services

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# Overview of outpatient dialysis services, 2012

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 370,000
- Providers: About 5,800 facilities
- Medicare spending: $10.7 billion

Source: MedPAC analysis of 2012 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

# Agenda

- Overview of new PPS
- Payment adequacy analysis
- Discussion of other issues about new PPS

# New PPS began in 2011

- Expands the payment bundle
  - Composite rate services (dialysis + nursing)
  - Part B dialysis injectable 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

- Adjusts for low volume
- Includes an outlier policy
- In 2012, payment linked to quality
- Almost all providers elected to be paid under the new PPS instead of the four-year transition

# Payment adequacy factors

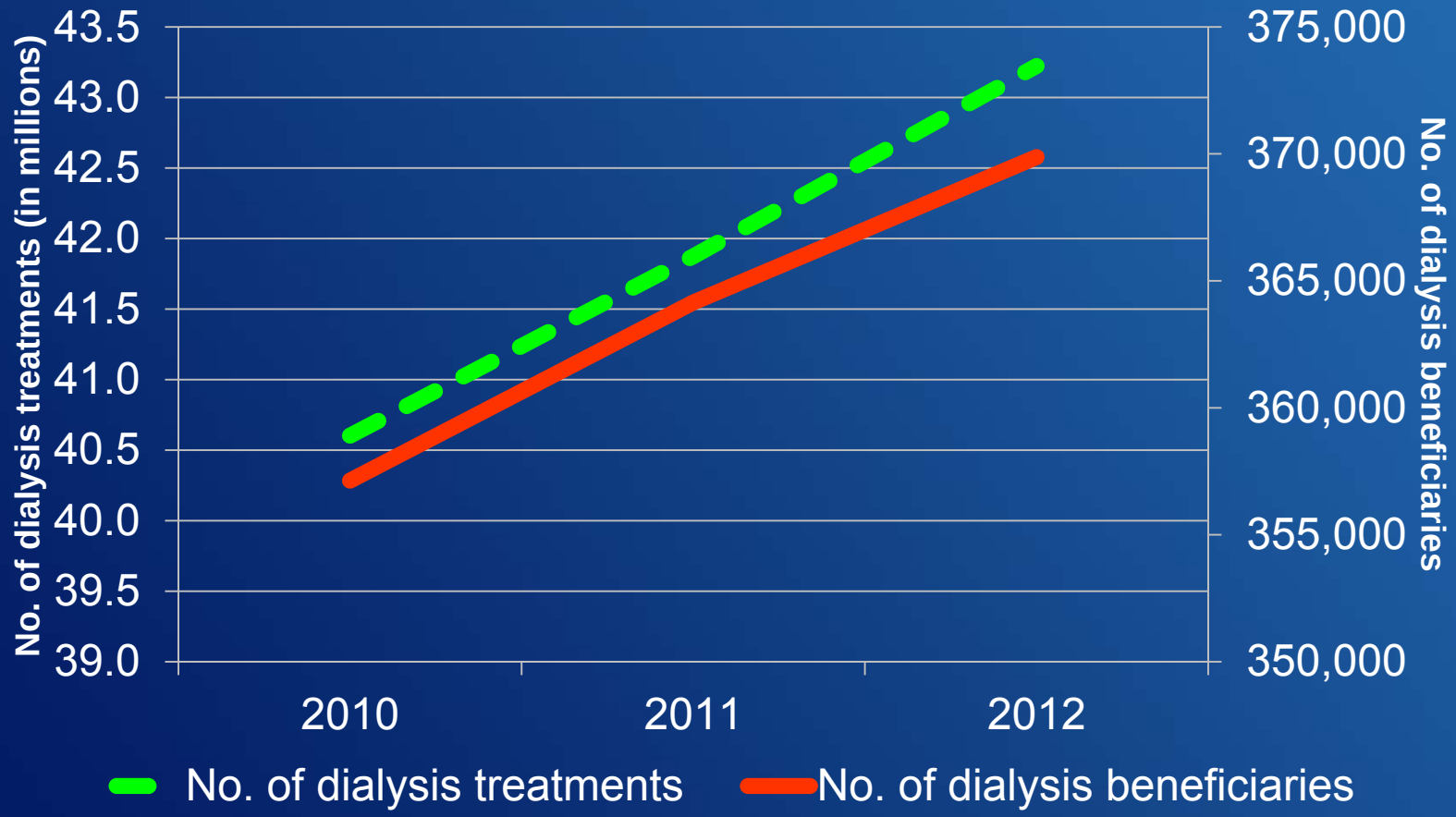
- Beneficiaries' access to care
  - Supply and capacity of providers
  - Volume of services
- Changes in the quality of care
- Providers' access to capital
- Payments and costs

# Dialysis capacity continues to increase

- Between 2010 and 2012, dialysis treatment stations increased by 3% per year; capacity growth matched beneficiary growth
- In 2012, net increase in number of facilities
- Facility closures in 2011—linked to smaller capacity and facility type (nonprofit)
- Analysis suggests that beneficiaries affected by closures received care at other facilities
- Few differences in patients' characteristics in closed facilities compared to all other facilities

Source: MedPAC analysis of 2008-2012 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

# Growth in dialysis beneficiaries matches growth in treatments, 2010-2012




Source: MedPAC analysis of 2010-2012 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

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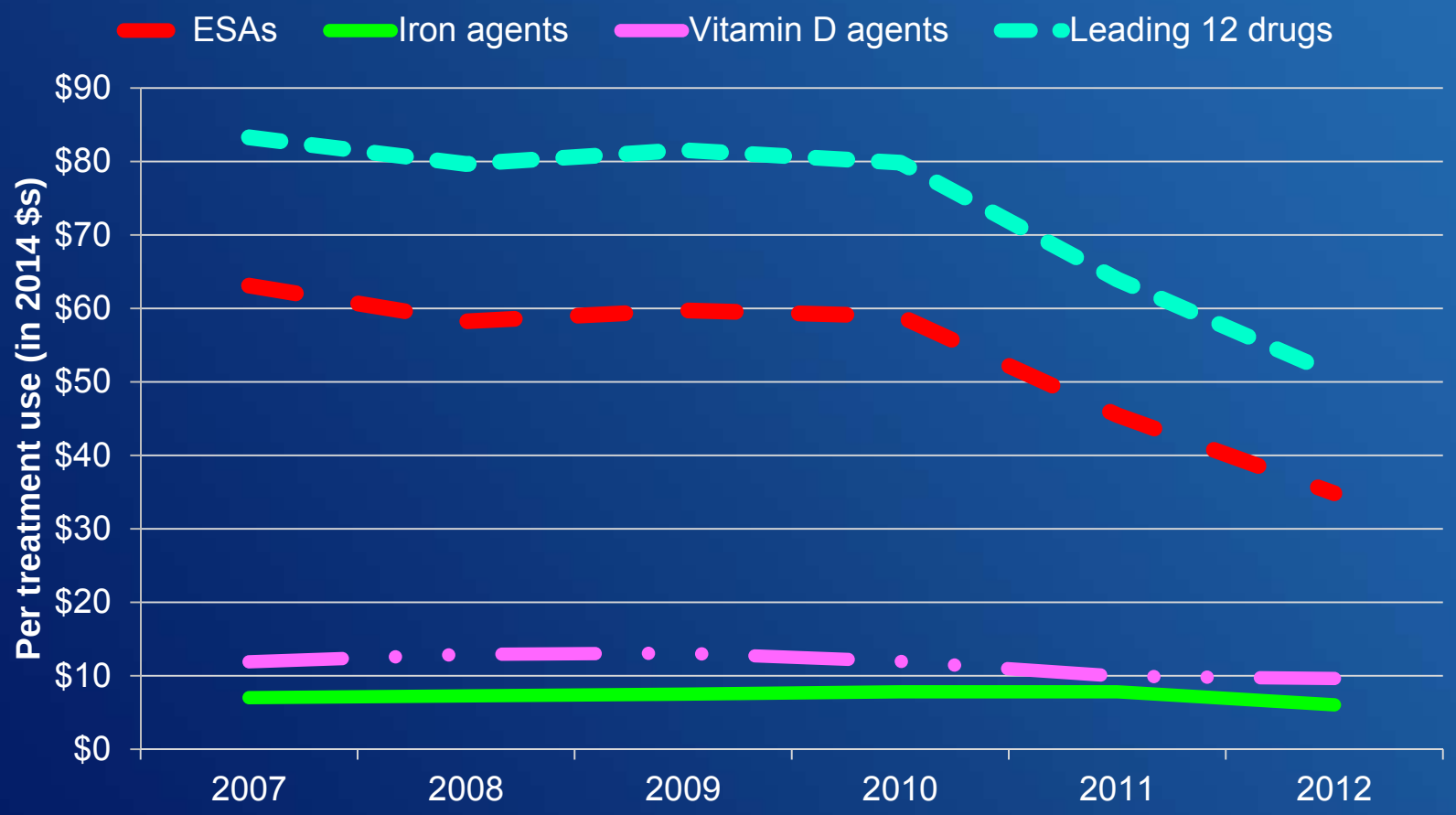
# Use of dialysis drugs declined under the new payment method




Note: Leading 12 drugs are : erythropoietin, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate, ferumoxytol (iron agents); calcitriol, doxercalciferol, paricalcitol (vitamin D agents); daptomycin, vancomycin (antibiotics); alteplase; and levocarnitine. ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 2012 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

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# Dialysis quality between January 2010 and June 2013

- Percent of dialysis beneficiaries experiencing outcome:
  - Mortality held steady ≈ 1.6% per month
  - ED use held steady ≈ 10.7% per month
  - Admissions modestly declined from 14.3% per month in 2010 to 13.1% per month in 2013
  - Home dialysis modestly increased from 8.3% per month in 2010 to 9.9% per month in 2013

Source: CMS 2013.
Data are preliminary and subject to change.

# Dialysis quality between January 2010 and June 2013

- Percent of dialysis beneficiaries experiencing anemia management outcomes:
  - Cumulative rates of stroke, heart failure, and AMI generally declined
  - Hemoglobin levels per month declined
  - Blood transfusions per month modestly increased

Source: CMS 2013.
Data are preliminary and subject to change.

# Providers' access to capital

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

# 2012 Medicare margin

| Type of freestanding dialysis facility | Medicare margin | % of Medicare spending |
|---|---|---|
| All | 3.9% | 100% |
| Two largest dialysis organizations<br>All others | 4.2<br>3.5 | 67<br>33 |
| Urban<br>Rural | 4.7<br>-0.08 | 85<br>15 |
| Treatment volume (quintile)<br>Lowest<br>Second<br>Third<br>Fourth<br>Highest | <br>-13.0<br>-3.4<br>2.1<br>5.2<br>9.4 | <br>8<br>13<br>18<br>24<br>38 |

Source: MedPAC analysis of 2012 freestanding dialysis cost reports and 2012 100 percent claims submitted by dialysis facilities to CMS.

Data are preliminary and subject to change

# Rebasing begins in 2014

- ATRA mandated that the Secretary, in 2014, reduce the dialysis base payment rate by the reduction in per patient drug utilization between 2007-2012
- The Secretary will phase in reduction over 3- to 4-year period
- For 2014 and 2015, CMS set the rebasing amount equal to the payment update and other impacts so the overall impact will be 0% compared to the previous year's payments

# Other policy changes in 2015

- CMS's latest market basket forecast is 2.8%
- ESRD update is reduced by a productivity adjustment of 0.3%
- CMS projected a QIP reduction of total ESRD payments of 0.17%

# Summary of payment adequacy

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital is adequate
- 2012 Medicare margin: 3.9%

Data are preliminary and subject to change.

# Other issues with new PPS: Low-volume adjustment

- For existing facilities as of 12/31/2010, distance to next facility is not considered for adjustment
- In 2012, nearly half of all low-volume facilities are within 5 miles of another facility
- Adjustment should focus on protecting facilities critical to beneficiary access
- Re-design the low-volume adjuster to consider the distance to the nearest facility

Source: MedPAC analysis of 100% claims submitted by dialysis facilities to CMS.
Data are preliminary and subject to change.

# Other issues with new PPS: Anemia quality measure

- Since payment year 2013, ESRD Quality Incentive Program has not assessed anemia under-treatment
- Develop a quality measure that assesses anemia under-treatment

# Other issues with new PPS: Accuracy of cost reports

- Appropriateness of cost data under the new PPS has not been examined
- If providers' costs are overstated, then the Medicare margin would be understated
- Assess the accuracy of dialysis facilities' cost reports