



*Advising the Congress on Medicare issues*

# Assessing payment adequacy: Outpatient dialysis services

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# Overview of the outpatient dialysis sector, 2011

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- About 365,000 dialysis beneficiaries
- About 5,600 dialysis facilities
- Medicare spending for outpatient dialysis services was \$10.1 billion

# Questions from December meeting

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- Demographic characteristics of new dialysis patients between 2000 and 2010
  - Rate of average annual growth of new cases greatest for patients 85 years and older
- Trend in early initiation of dialysis
- Low-volume analysis
- Use of non-emergency ambulance by dialysis patients

# Questions from December meeting

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- Case-mix adjustment for six comorbidities
  - Acute comorbidities: GI bleed, bacterial pneumonia, and pericarditis
  - Chronic comorbidities: hemolytic/sickle cell anemia, monoclonal gammopathy, and myelodysplastic syndrome
  - Industry representatives contend that facilities lack sufficient documentation to claim the adjustors and that they incur high labor costs to obtain necessary documentation

# Case-mix adjustment for acute and chronic comorbidities

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- Question about the ability of dialysis facilities to bill for comorbidities
- Using claims submitted by dialysis facilities paid under the new PPS, MedPAC examined the prevalence of the comorbidities in 2011
- Reporting in 2011 has improved compared to past years
- Monitor this issue next year

# Summary of adequacy indicators

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- Supply and capacity of providers:
  - Net increase in the number of dialysis patients and dialysis treatment stations
- Beneficiaries' access to care
  - Few facility closures and few beneficiaries affected by closures in 2010
  - Rural facilities did not disproportionately close in 2010

# Summary of adequacy indicators

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- Volume of services
  - Growth in dialysis treatments matches beneficiary growth
  - Changes in the per treatment use of dialysis injectable drugs in 2007, 2010, and 2011
    - Use of ESAs, injectable iron, and vitamin D agents was estimated by multiplying the units of the drug by the drug's average Medicare payment in 2011
    - Most of the decline in per treatment use occurred between 2010 and 2011
    - ESAs accounted for most of the decline

# Summary of adequacy indicators

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- Quality since implementation of the modernized PPS
  - Rates of mortality, ED use, and hospitalization high but steady
  - Anemia outcomes: Small increase in the rate of blood transfusions; increasing proportion of patients with lower hemoglobin levels

# Summary of adequacy indicators

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- Access to capital
  - Growth in large and mid-sized chains suggests that access to capital is good
- Outpatient dialysis Medicare margins
  - Estimated 2011 Medicare margin: 2 to 3 percent
  - Projected 2013 Medicare margin: 3 to 4 percent

# American Taxpayer Relief Act of 2012

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- Mandates that the Secretary:
  - Rebase the dialysis payment rate effective 2014 based on changes between 2007 and 2012 in the utilization of ESAs, other drugs and biologicals, and diagnostic laboratory tests
  - Delay the inclusion of oral-only ESRD-related drugs into the payment bundle until 2016