Medicare Advantage payment and access for enrollees with end-stage renal disease

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Today's presentation

- Background
- Medicare payments to MA plans for enrollees with end-stage renal disease (ESRD)
  - MA plans pay higher prices than FFS Medicare for dialysis services
  - State-wide basis for payments may overpay or underpay plans
- Access to MA plans for beneficiaries with ESRD
  - Cost sharing for enrollees with ESRD
  - Network adequacy for dialysis facilities
- Discussion

Background

- Treatment for ESRD requires dialysis, usually 3 times per week to remove waste from blood, or a kidney transplant
- Medicare spending for beneficiaries with ESRD is more than 8 times spending for beneficiaries without ESRD
  - Out-of-pocket liability for beneficiaries with ESRD in FFS Medicare is about $13,000 [a]
  - Some beneficiaries with ESRD have supplemental coverage (Medicaid, Medigap, or an employer-sponsored plan)

[a] *Health Management Associates. 2020. End-stage renal disease and Medicare Advantage. February 12.*

Background: ESRD enrollment in MA plans

- Enrollment in an MA plan has been limited to remaining in a plan, if already enrolled, or joining a special needs plan
  - About 131,000 MA enrollees with ESRD in 2019, about 25 percent of Medicare beneficiaries with ESRD
- The 21st Century Cures Act eliminated existing MA enrollment limitations for beneficiaries with ESRD starting in 2021
  - CMS expects an additional 83,000 enrollees by 2026
- MA plans reduce cost-sharing liability for most services and have a cap on total out-of-pocket spending ($7,550 for 2021)
  - MA plans must offer the same benefit package to all enrollees

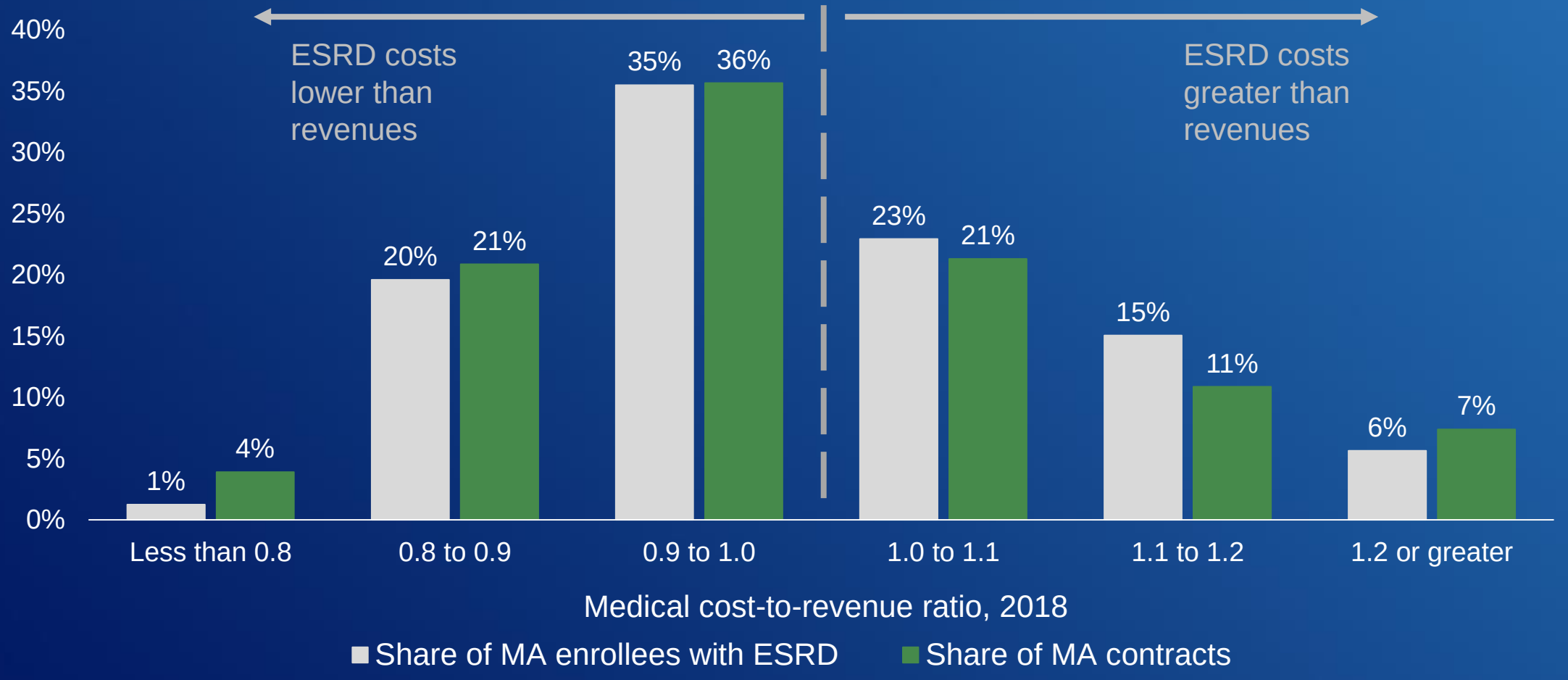
In 2004, the Commission recommended that ESRD beneficiaries be allowed to enroll in MA

- The Commission strongly supports all beneficiaries' ability to choose among Medicare coverage options
- Some beneficiaries with ESRD could benefit from an MA plan
  - Plans offer substantial extra benefits
  - Plans use care coordination and cost-control tools
- MA program is robust and growing. From 2016 to 2020:
  - MA enrollment share grew from 32 to 39 percent
  - Average number of plan choices grew from 18 to 27
  - Value of extra benefits increased from $972 to $1,464 per enrollee per year

MA payments for enrollees with ESRD

- MA payment = ESRD state rate * beneficiary risk score
- The ESRD state rate is equal to the average spending for FFS beneficiaries with ESRD in each state
- The ESRD risk model is independent from other models and is based on FFS beneficiaries with ESRD
- CMS collects information about costs and revenues for enrollees with ESRD through the bid payment tool
  - We used bid payment tool data to compare revenues and costs for enrollees with ESRD in each MA contract

MA plan revenues cover costs for enrollees with ESRD on average, but cost-to-revenue ratios vary widely, 2018



Results are preliminary and subject to change.

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End-stage renal disease (ESRD). Medical cost-to-revenue ratio does not include administrative costs. Figure excludes ESRD chronic condition special needs plans and employer group waiver plans. Source: MA 2020 bid payment tool data including 2018 cost and revenue information.

Ensuring appropriate payment to MA plans for enrollees with ESRD

- Some plans and industry advocates claim that payments to MA plans are inadequate because:
  - Some plans pay a higher price per dialysis treatment as they are unable to negotiate dialysis payments as low as FFS Medicare
  - Spending variation within each state and differences in MA and FFS enrollment distribution may generate low payments to plans
- We evaluated dialysis prices using MA encounter data
  - 2018 data include about 80 percent of MA dialysis treatments we expected to observe, after applying exclusion criteria
  - We concluded that encounter data are a reasonable basis for analyzing MA dialysis prices

MA contracts paid 14 percent more per dialysis treatment on average than FFS Medicare, 2018

- Dialysis prices are a function of negotiations between MA plans and dialysis providers
  - One reason for high dialysis prices may be consolidation among dialysis providers
- We found a wide range of dialysis prices paid by MA contracts
  - Price below FFS Medicare: 18 percent of treatments
  - Price 40 percent or more above FFS Medicare: 5 percent of treatments
- Balance of negotiating leverage may shift if MA enrollment of beneficiaries with ESRD increases
  - We will monitor future changes in dialysis prices

ESRD state rates could lead to underpayment or overpayment for MA plans

- Two studies found within-state spending variation:
  - ESRD payment ranged from 12 percent below to 9 percent above local spending in 15 large metropolitan areas [a]
  - Metropolitan areas in certain states ranged from -14 to +15 percent of the ESRD state rate [b]
- Payment accuracy requires balancing payment areas that
  - Are small enough to minimize spending variation
  - Have enough FFS beneficiaries with ESRD to maintain stability over time
- If interested, we could explore using an alternative basis for ESRD base rates, such as MedPAC areas

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[a] Avalere. 2019. Medicare Advantage plans may be paid below actual ESRD patients' costs in large metropolitan areas in 2021. December 9.
[b] *Health Management Associates. 2020. End-stage renal disease and Medicare Advantage. February 12.*

Ensuring equal access to MA plans for beneficiaries with ESRD

- Although the 21st Century Cures Act eliminated MA enrollment barriers, MA plans with financial losses for enrollees with ESRD may seek to deter potential enrollees with ESRD
- We evaluate two plan strategies allowed by Medicare rules that could be used to deter ESRD enrollment
  - Allow high out-of-pocket spending for enrollees with ESRD
  - Establish provider networks with limited dialysis facility options

Cost sharing for enrollees with ESRD

- MA plans may impose up to 20 percent coinsurance for dialysis services, equivalent to dialysis cost sharing in FFS Medicare
- In 2020, 81 percent of plans had maximum dialysis cost sharing, covering about 74 percent of MA enrollees with ESRD
  - These percentages have slightly increased since Cures Act passage
- Plans are required to offer a limit on out-of-pocket (OOP) spending
  - Current cap limits spending to about 60 percent of the average OOP liability for enrollees with ESRD
- The cap is essential for MA access for beneficiaries with ESRD
  - We will monitor any changes to the out-of-pocket spending cap

Adequacy of dialysis facility network

- Two standards enforce the network adequacy requirement for most services
  - Minimum number of facilities or physicians per capita in each county
  - Time and distance standards consistent with the prevailing pattern of health care delivery in a community
- For dialysis facilities in 2021, plans will not be evaluated against either standard and will instead attest to network adequacy
  - Time and distance standard is permanently replaced by attestation
  - Minimum number of facilities per county standard is replaced by attestation for 2021

Adequacy of dialysis facility network (cont.)

- Access to MA plans could be diminished for beneficiaries with ESRD
  - If a dialysis facility is removed from a plan's network, ESRD patients at that facility are not likely to enroll or remain enrolled in the plan
  - Beneficiaries are only certain of in-network facility options, which could allow plans to deter ESRD enrollment by removing a facility
- With Commission interest, we could explore changing network adequacy requirements for outpatient dialysis facilities

Discussion

- We would appreciate your feedback about pursuing future work on:
  - Using an alternative geographic unit, such as MedPAC areas, as the basis for ESRD payment rates
  - Changing network adequacy requirements for outpatient dialysis facilities, possibly reinstating time and distance standards