



Advising the Congress on Medicare issues

Assessing payment adequacy: outpatient dialysis services

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Background

- Outpatient dialysis services used to treat individuals with end-stage renal disease in 2011
 - Beneficiaries: About 365,000
 - Providers: About 5,600
 - Medicare spending: \$10.1 billion
- Agenda
 - Overview of modernized payment method
 - Payment adequacy analysis

Modernized PPS began in 2011

- Expands the payment bundle
 - Composite rate services
 - 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
 - Based on total number of treatments
 - Increases base payment rate by 18.9 percent
- Includes an outlier policy
 - Portion of bundle that was previously separately billable
- Links payment to quality began in 2012
- Provides for a four-year transition

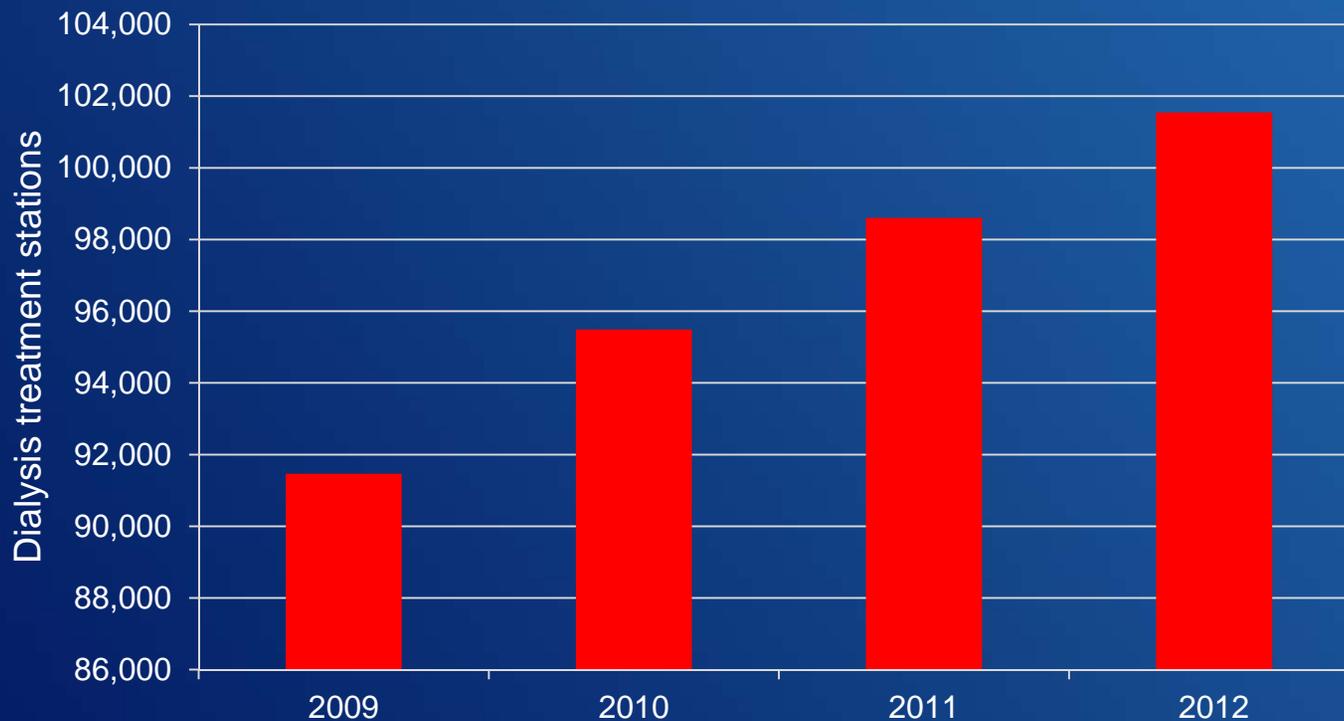
Issues with new PPS

- Outlier payments
- Case-mix adjusters
- Declining per capita use of dialysis injectable drugs
- Design of the low-volume adjuster does not consider the distance to the nearest facility
 - About 42% of all low-volume facilities are within 5 miles of another facility

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 growing on average by 4 percent per year

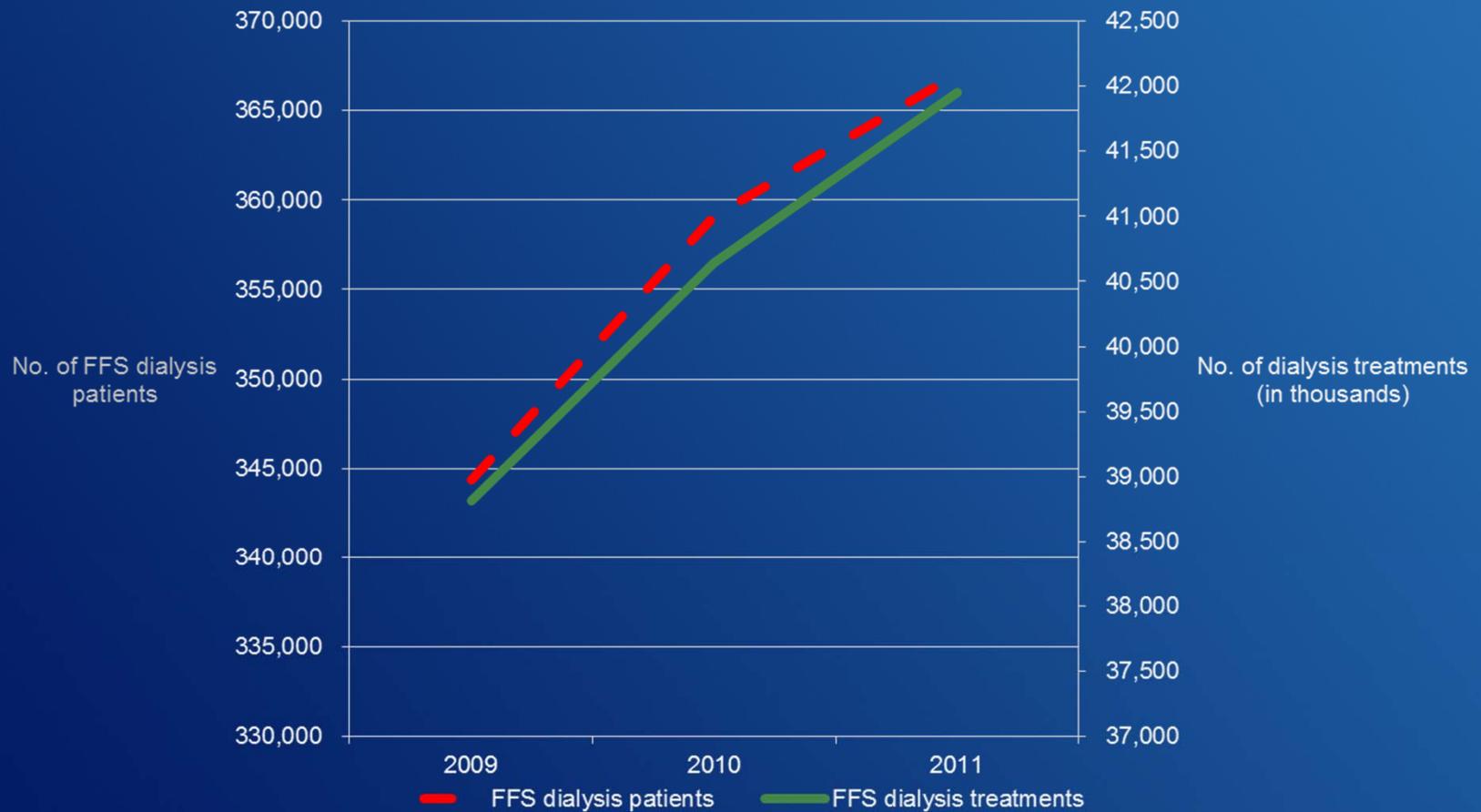


Data are preliminary and subject to change.

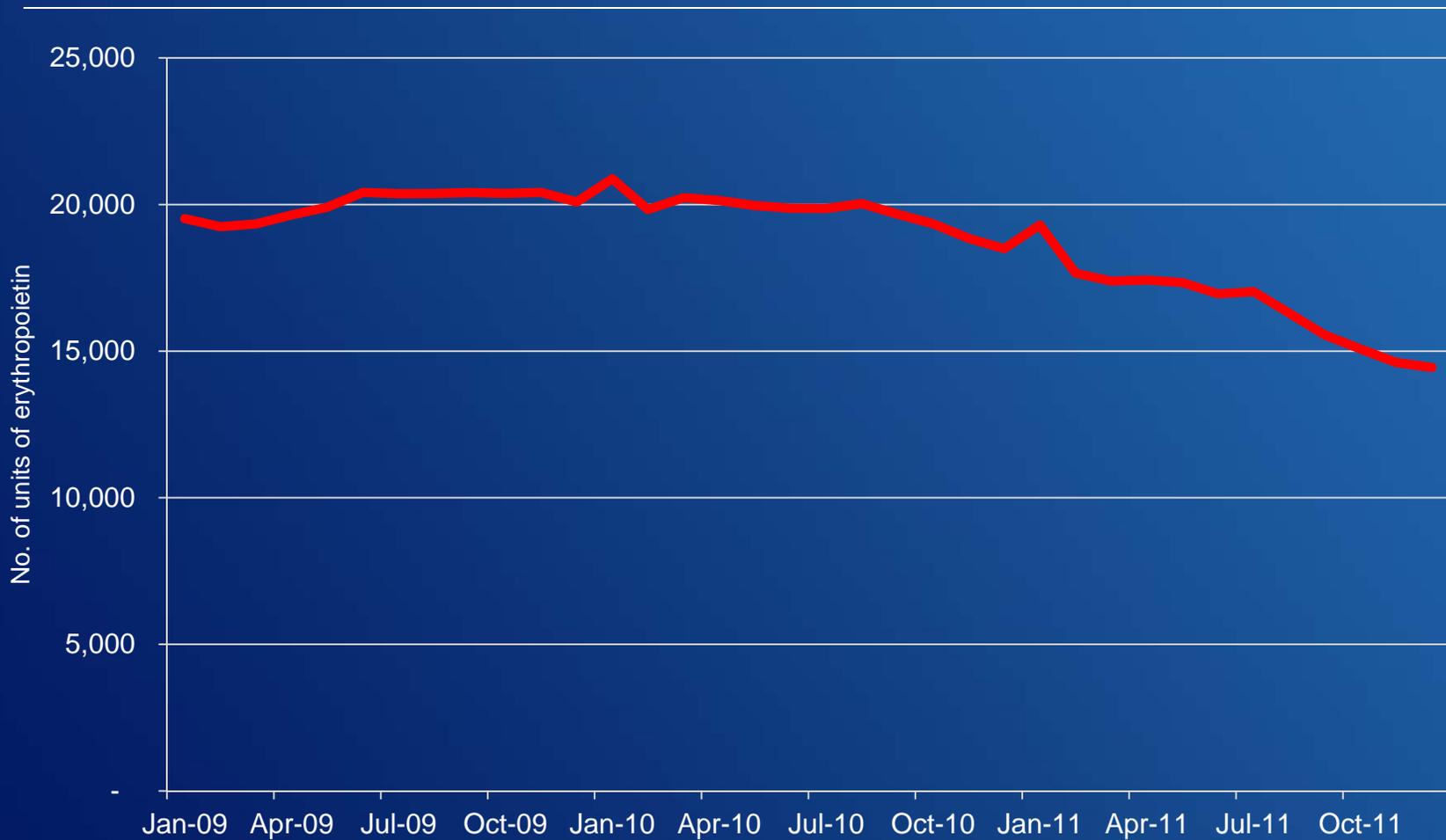
Facility closures

- Facility closures in 2010—linked to size and facility type
- Few beneficiaries (about 3,800) affected by closures
- Few differences in patients' characteristics in closed facilities compared to all other facilities
- Analysis suggests that beneficiaries affected by closures received care at other facilities

FFS dialysis patients matches growth in FFS treatments



Change in erythropoietin use, 2009-2011



MedPAC analysis of mean dose per beneficiary per week using 2009-2011 claims submitted by freestanding dialysis facilities to CMS. Data are preliminary and subject to change.

Five-year trend in dialysis quality

- Indicators high or improving:
 - Dialysis adequacy, use of AV fistula, nutritional status
- Indicators need improvements
 - Rates of hospitalization, rates of mortality, proportion of patients registered on the kidney transplant list and rate of kidney transplantation

Dialysis quality since implementation of the modernized PPS

- Rates of mortality, hospitalization and ED use high but steady
- Anemia management outcomes:
 - Increasing proportion of patients with lower hemoglobin levels
 - Rate of blood transfusions small increase

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

Outpatient dialysis Medicare margins

- Estimated 2011 Medicare margin
 - 2 to 3 percent

Data are preliminary and subject to change.

How should Medicare's payments change in 2014?

- CMS's latest forecast for price inflation for goods and services associated with the ESRD payment bundle is 2.8%
- ESRD update is subject to a multifactorial productivity adjustment of 0.4 percent
- In 2014, the year of the recommendation, CMS projected that the QIP would decrease total ESRD payments by about 0.3 percent