

Assessing payment adequacy: outpatient dialysis services

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Background

- 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

- 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

- 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

- 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

- 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

- 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

- 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

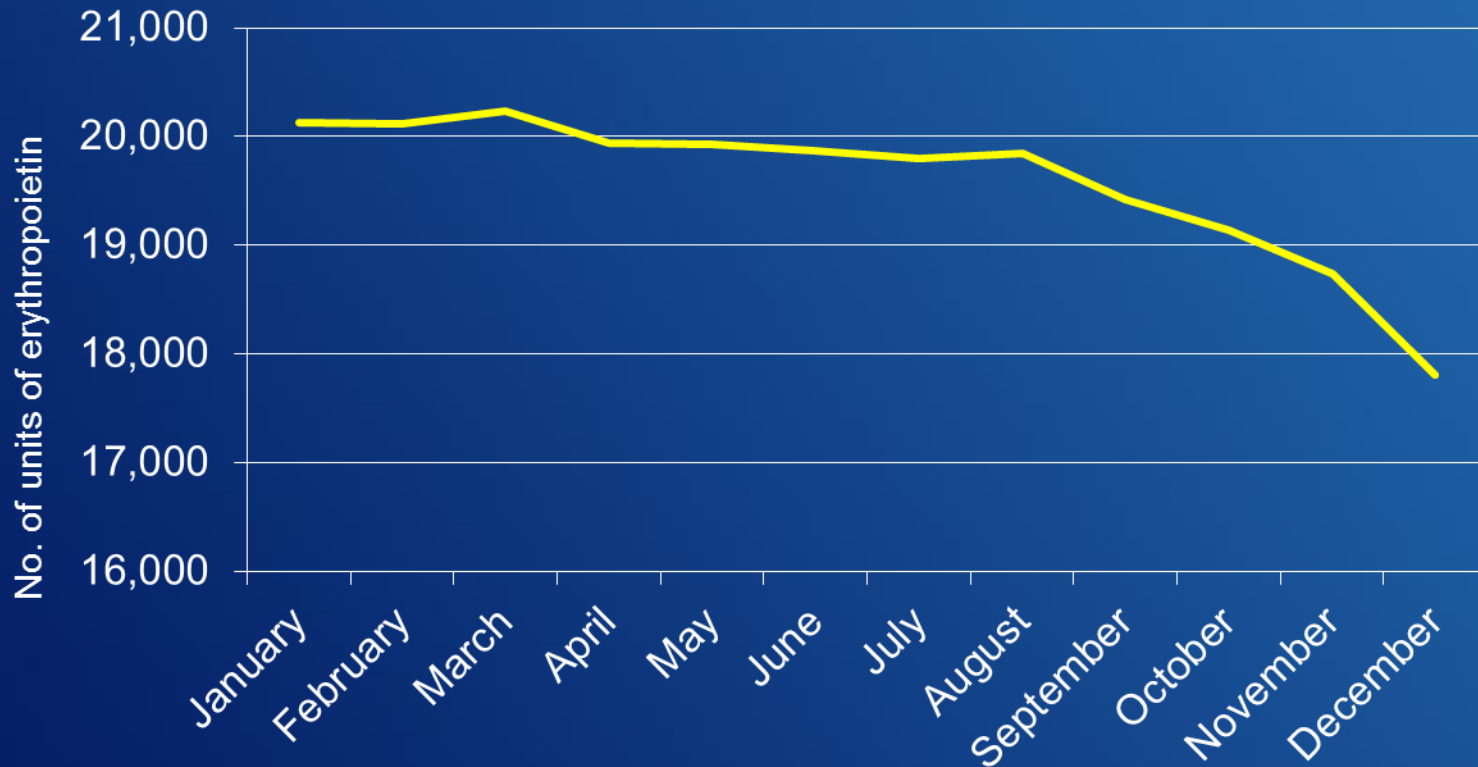
Change in volume for dialysis treatments

- 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

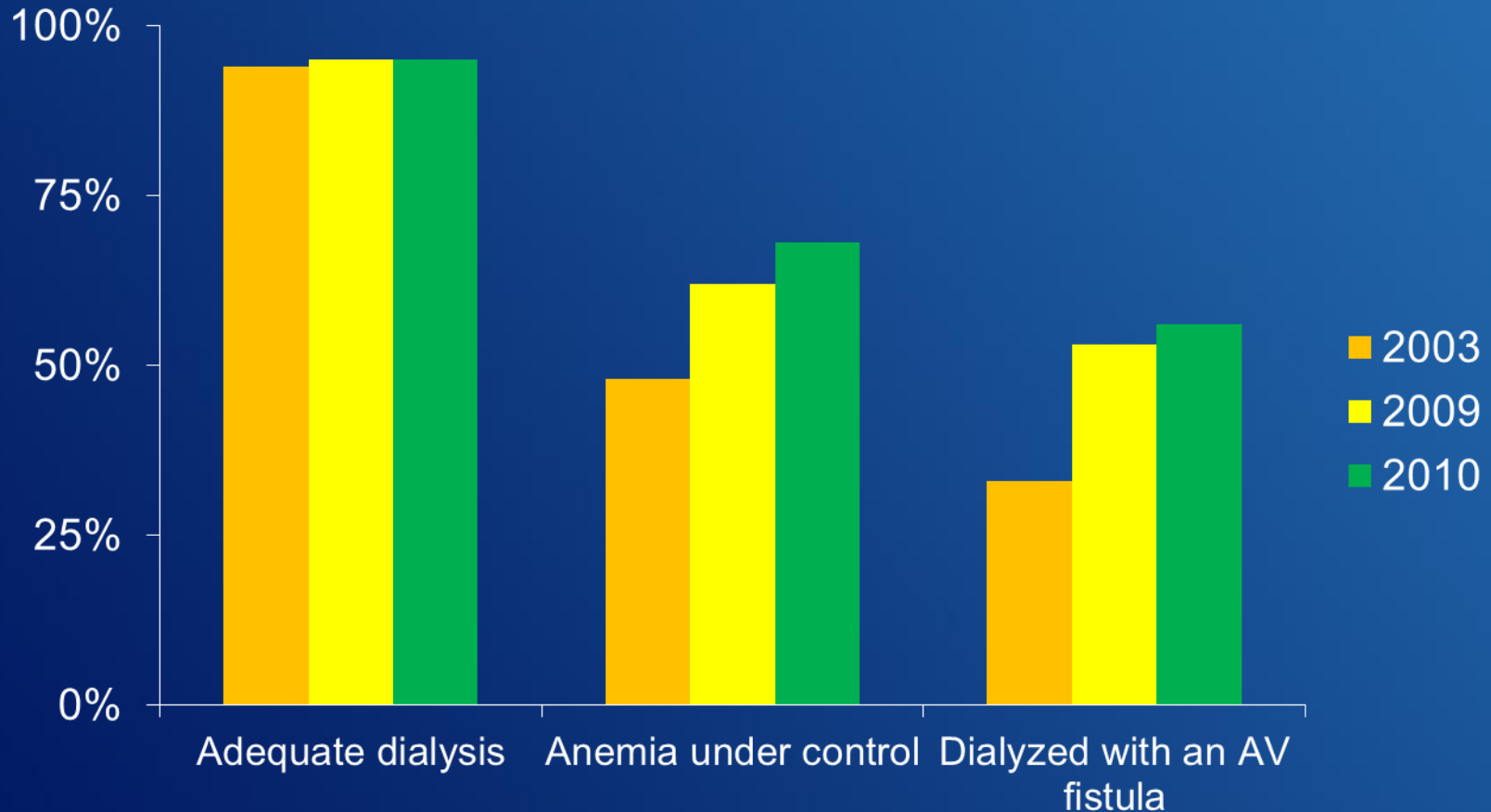
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Change in erythropoietin use in 2010



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

- 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

- 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.