



*Advising the Congress on Medicare issues*

# Assessing payment adequacy: Outpatient dialysis services

Nancy Ray  
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# Overview of the outpatient dialysis sector in 2010

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- More than 355,000 dialysis beneficiaries
- More than 5,500 dialysis facilities
- Medicare spending for dialysis and dialysis drugs was \$9.5 billion

# Adequacy measures are generally positive

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- Supply and capacity of providers
  - Net increase in the number of facilities and dialysis stations
- Volume of services
  - Growth in dialysis treatments matches patient growth
  - Decrease in per capita use of ESAs
  - Increase in volume of injectable iron
  - Decrease in volume in vitamin D analogs

# Adequacy measures are generally positive

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- Beneficiaries' access to care
  - Few facility closures in 2010; did not disproportionately affect beneficiary groups
- Quality
  - Increasing use of AV fistulas
  - Between 2009-2010, slight increase in the proportion of patients with hemoglobin less than 10 g/dL
  - Decreasing hospitalization and mortality rates across adult age groups
  - CMS's quality measurement effort (that PPACA mandates) includes 5 measures related to ESRD quality improvement

# Adequacy measures are generally positive

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- Access to capital
  - Growth in large and mid-sized chains suggests that access to capital is good
- Cost per treatment for composite rate services
  - In 2010, standardized costs lower for large chain organizations than other freestanding facilities
  - Cost growth between 2005 and 2010
    - 2.6% per year for large chain organizations
    - 2.0% per year for other freestanding facilities

## 2010 Medicare margin

Type of freestanding provider	Medicare margin
All	2.3%
Affiliated with 2 largest dialysis chains	3.4%
Not affiliated with 2 largest dialysis chains	0.1%
Urban	3.4%
Rural	-3.7%
By volume:	
> 10,000 treatments	7.7%
≤ 10,000 treatments	-2.3%
25 <sup>th</sup> percentile	-6.7%
75 <sup>th</sup> percentile	11.9%

2010 Medicare margin includes payments and costs for composite rate services and dialysis drugs.

# Projected Medicare margin for broader payment bundle

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- 2012 projection: 2.7%
  - 2 percent reduction by MIPPA in 2011
  - 3.1 percent transitional budget neutrality adjustment between 1/1/11-3/31/11
  - 0.2 percent reduction by the Quality Incentive Program in 2012
  - Payment updates in 2011 and 2012