

Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2013

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 376,000
- Providers: About 6,000 facilities
- Medicare spending: \$11.0 billion

Source: MedPAC analysis of 2013 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

Agenda

- Overview of new prospective payment system
- Payment adequacy analysis

New prospective payment system began in 2011

- Expands the payment bundle
 - Composite rate services (dialysis + nursing)
 - 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

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 continues to increase

- Between 2012 and 2013, dialysis treatment stations increased by 3% per year; capacity growth kept up with beneficiary growth
- In 2013, net increase in number of facilities (≈190 facilities)
- In 2012, facilities that closed were small, nonprofit, and hospital-based (≈40 facilities)
- Analysis suggests that beneficiaries affected by closures received care at other facilities
- Few differences in patients' characteristics in closed facilities compared to all other facilities

Source: MedPAC analysis of 2008-2013 100 percent claims submitted by dialysis facilities to CMS.

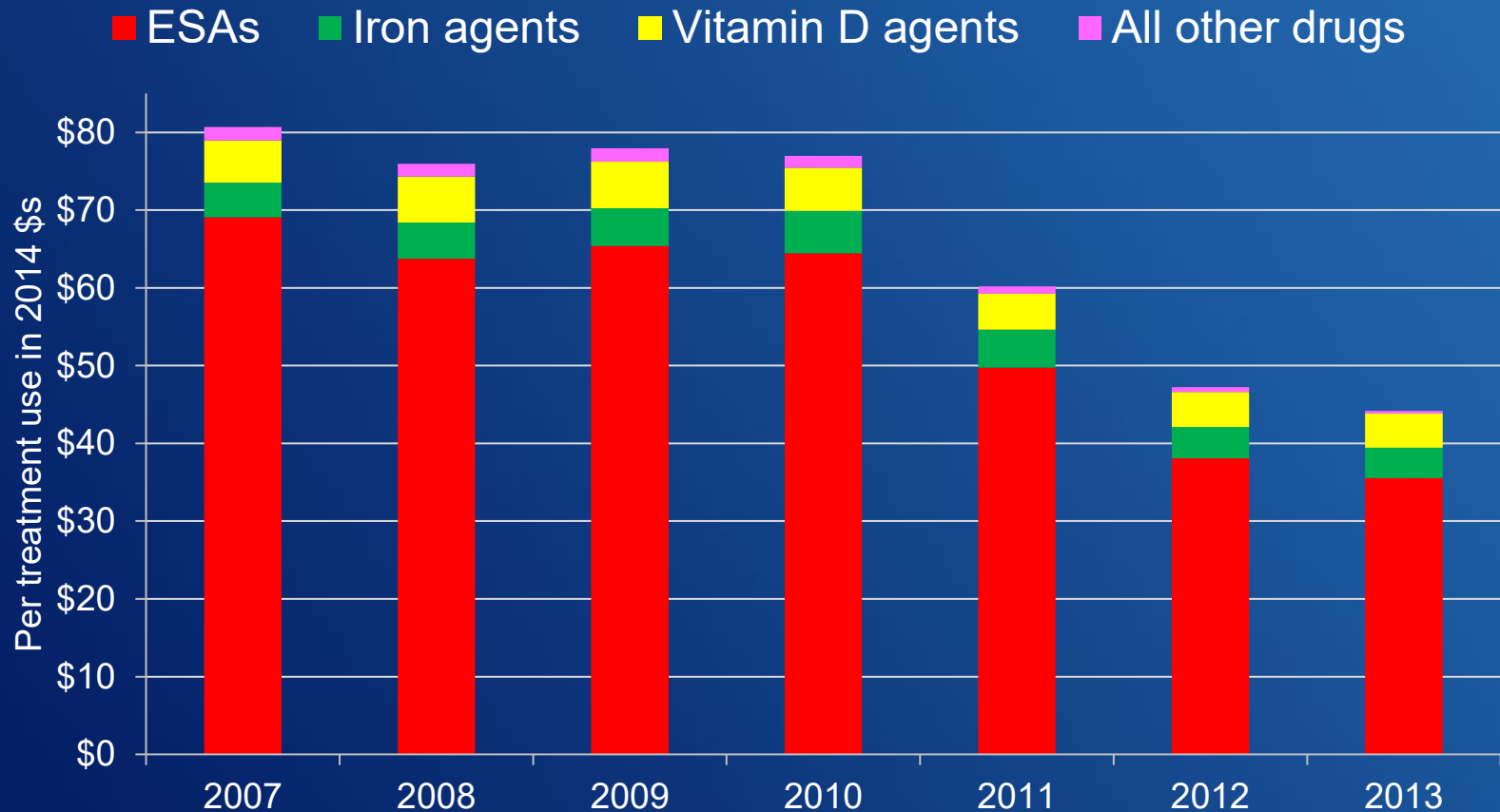
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Growth in beneficiaries matches growth in treatments

- Between 2012 and 2013:
 - Total number of dialysis FFS beneficiaries increased by 2 percent
 - Total number of dialysis treatments increased by 2 percent
- In both years, average treatments per beneficiary ≈ 117

Source: MedPAC analysis of 2008-2013 100 percent claims submitted by dialysis facilities to CMS.
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Use of dialysis drugs declined under the new payment method



Note: Leading 12 drugs are : erythropoietin, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate, ferumoxytol (iron agents); calcitriol, doxercalciferol, paricalcitol (vitamin D agents); daptomycin, vancomycin , alteplase; and levocarnitine (all other drugs). ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 2007-2013 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Dialysis quality between 2010 and 2013

- Percent of dialysis beneficiaries experiencing outcome:
 - Mortality declined from 1.7% per month in 2010 to 1.5% per month in 2013
 - ED use held steady between 10.5% to 10.8% per month
 - Admissions modestly declined from 14.3% per month in 2010 to 12.8% per month in 2013
 - Home dialysis modestly increased from 8.3% per month in 2010 to 10.1% per month in 2013

Anemia management between 2010 and 2013

- Hemoglobin levels per month declined between 2010 and 2012 then leveled off in 2013
- Percent of dialysis beneficiaries undergoing blood transfusions per month increased between 2010 and 2012 then modest decline in 2013

Source: CMS 2013.

Data are preliminary and subject to change.

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

2013 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities
All	4.3%	100%
Two largest dialysis organizations	4.1	77
All others	5.2	23
Urban	4.9	80
Rural	0.6	20
Treatment volume (quintile)		
Lowest	-12.3	20
Second	-3.8	20
Third	2.0	20
Fourth	6.0	20
Highest	9.7	20

Source: MedPAC analysis of 2013 freestanding dialysis cost reports and 2013 100 percent claims submitted by dialysis facilities to CMS.

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Other policy changes in 2016

- CMS's latest market basket forecast is 2.9%
- ESRD update is set by statute at market basket reduced by a productivity adjustment (0.5 percentage points) and a statutory adjustment (1.25 percentage points)
- CMS projected a QIP reduction of total ESRD payments of 0.17%

Summary of payment adequacy

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital is adequate
- 2013 Medicare margin: 4.3%

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