Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: outpatient dialysis services

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MEDPAC

Overview of outpatient dialysis services, 2014

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 383,000
- Providers: About 6,300 facilities
- Medicare spending: $11.2 billion

Source: MedPAC analysis of 2014 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

Agenda

- Payment adequacy analysis
- Regulatory changes to the dialysis PPS that CMS will implement in 2016
- Two potential concerns

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 2013 and 2014, dialysis treatment stations increased by 4%; capacity growth exceeded beneficiary growth
- In 2014, net increase in number of facilities
- Few facilities closed in 2013; closed facilities were more likely to be smaller, nonprofit, and hospital-based compared to all facilities
- Analysis suggests that beneficiaries affected by closures received care at other facilities

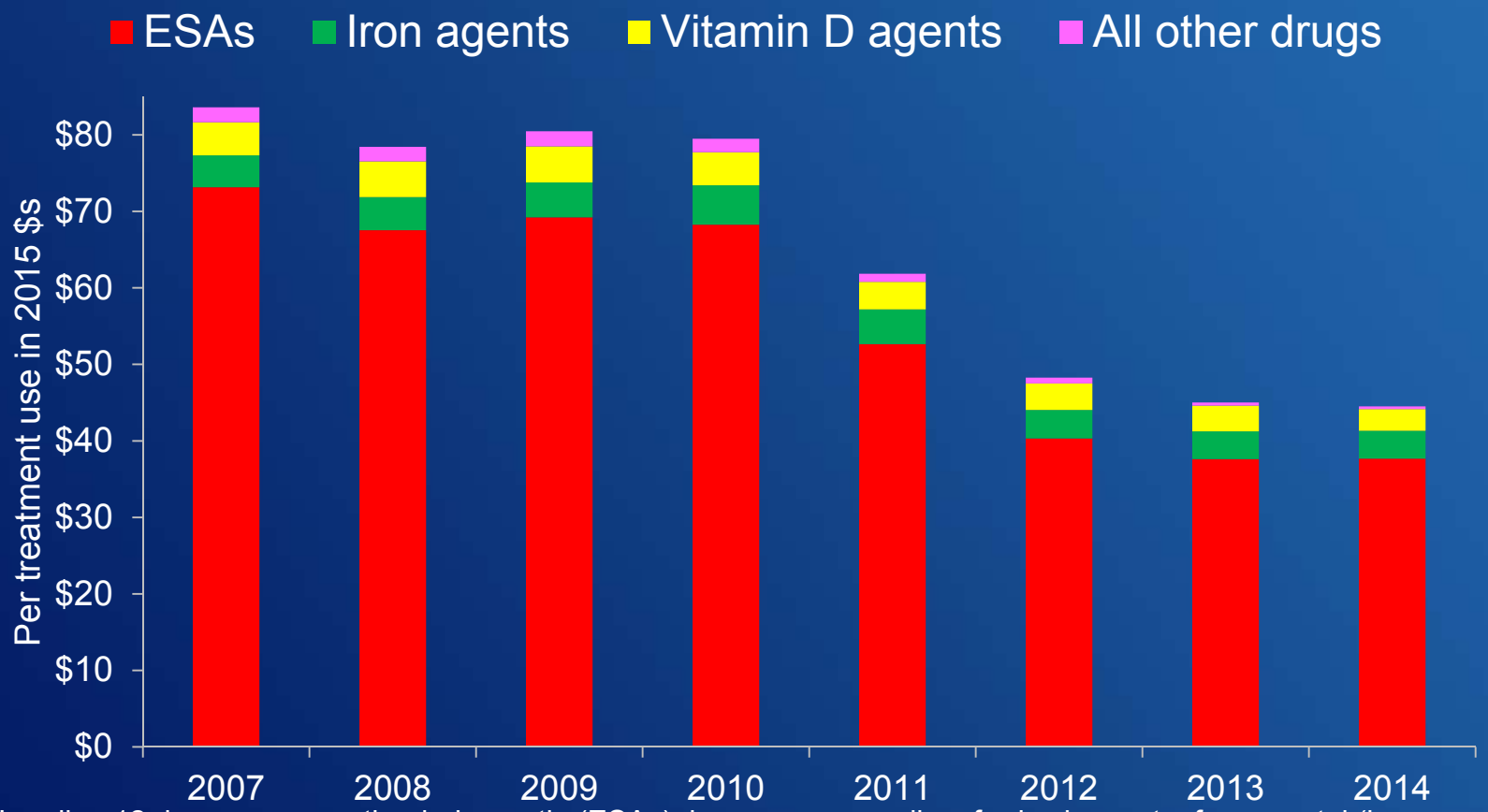
Source: MedPAC analysis of 2009-2014 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Growth in beneficiaries matches growth in treatments

- Between 2013 and 2014:
  - 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 2009-2014 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Use of dialysis drugs declined under the PPS



Note: Leading 12 drugs are: epoetin, 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 2007-2014 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Dialysis quality between 2010 and 2014

- Percent of dialysis beneficiaries experiencing outcome:
  - Mortality declined from 1.7% per month in 2010 to 1.5% per month
  - ED use modestly increased between 10.7% to 11.3% per month
  - Admissions modestly declined from 14.3% per month in 2010 to 12.5% per month
  - Home dialysis modestly increased from 8.3% per month to 10.6% per month

Source: CMS 2014.
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

2014 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities
All	2.1%	100%
Urban	2.9	80
Rural	-2.7	20
Treatment volume (quintile)		
Lowest	-15.4	20
Second	-6.6	20
Third	-0.6	20
Fourth	3.8	20
Highest	8.1	20

- 2014 Marginal profit: 17.9%

Source: MedPAC analysis of 2014 freestanding dialysis cost reports and 2014 100 percent claims submitted by dialysis facilities to CMS.

Policy changes in 2017

- CMS's latest market basket forecast is 2.4%
- 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
- 2014 Medicare margin: 2.1%
- 2014 Marginal profit: 17.9%

Data are preliminary and subject to change.

2016 changes to the ESRD PPS

- ATRA required analysis and refinement of case mix adjustment for 2016
  - Recalibrate with 2012 and 2013 data
  - Remove 2 out of 6 co-morbid conditions
  - Revise low volume adjustment
  - Add rural location adjustment
- Reallocate about 4 percent of payments from base rate to adjustment factors

PPS issue: Low-volume adjustment

- Adjustment should focus on protecting facilities critical to beneficiary access
- Distance to nearest facility is not considered for facilities of different ownership
  - Distance criterion reduced from 25 to 5 miles
- Consider distance to the nearest facility for the low-volume adjustment
- New rural adjustment in 2016

PPS issue: Accuracy of cost reports

- Appropriateness of cost data under the new PPS has not been examined
- If providers' costs are overstated, then the Medicare margin would be understated
- CMS used unaudited cost reports to develop 2016 changes
- Assess the accuracy of dialysis facilities' cost reports

Commission discussion

- Chairman's draft recommendation – Payment update
- Questions / clarification
- Other issues?