

Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray and Andy Johnson

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Overview of outpatient dialysis services, 2020

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Dialysis facilities paid for each treatment they furnish using a defined “ESRD bundle” that includes equipment, supplies, labor, drugs, and labs
- FFS beneficiaries: About 384,000
- Providers: About 7,800 dialysis facilities
- Medicare FFS dialysis spending: \$12.3 billion

Source: MedPAC analysis of 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.
Data are preliminary and subject to change.

Outpatient dialysis payment adequacy framework

Beneficiaries' access to care

- Supply and capacity of dialysis facilities
- Volume of services
- Marginal profit

Quality of care

- Dialysis adequacy and anemia management
- Home dialysis use
- Mortality

Access to capital

- Provider entry
- Financial reports and mergers and acquisitions
- All payer margin

Medicare payments and providers' costs

- Payments and costs
- Overall Medicare margins in 2020
- Projected overall Medicare margin in 2022

Update recommendation for outpatient dialysis payment rate

Payment adequacy framework and the coronavirus public health emergency (PHE)

- COVID-19 has had tragic and disproportionate effects on Medicare beneficiaries and the health care workforce
- PHE has also had material effects on payment adequacy indicators, making them more difficult to interpret
- Temporary or highly variable coronavirus effects are best addressed through targeted, short-term funding policies rather than permanent changes to all providers' payment rates in 2023 and future years
- Several PHE-related policies for dialysis facilities including receipt of COVID relief funds and suspension of sequester

Dialysis capacity continues to increase

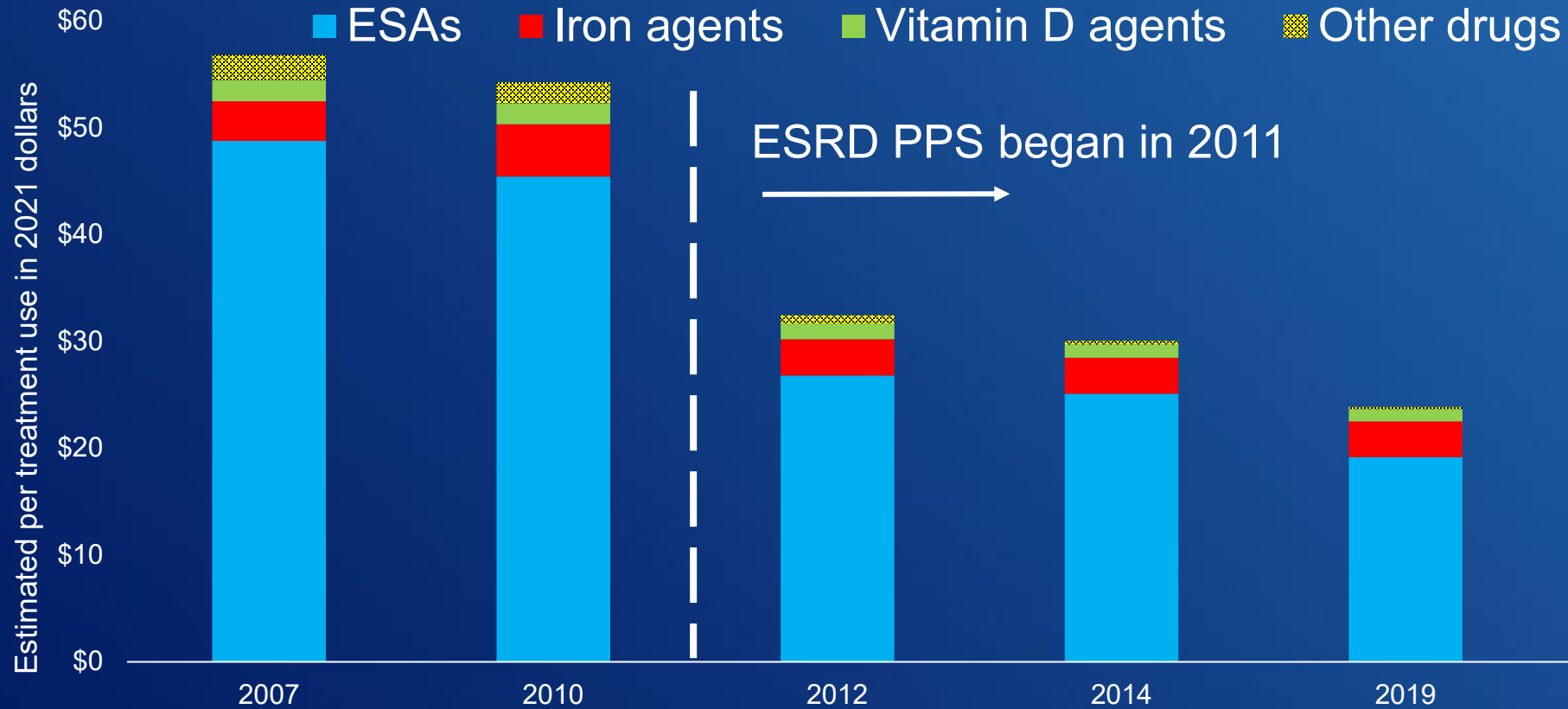
- Between 2019 and 2020:
 - In-center treatment stations increased by 2 percent
 - Capacity growth kept pace with growth in all dialysis patients (across all coverage types)
- Net increase in number of facilities (about 105)
 - Facilities that closed in 2019 (about 90) were more likely to be small, hospital-based, and located in rural areas
 - Analysis suggests that beneficiaries affected by closures (< 1 percent) received care at other facilities

Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS and CMS's Dialysis Compare files.
Data are preliminary and subject to change.

Decline in FFS dialysis beneficiaries and treatments attributable to PHE

- Between 2019 and 2020, total number of dialysis FFS beneficiaries and total number of dialysis FFS treatments each declined by 3 percent
 - In 2020, fewer FFS beneficiaries starting dialysis and higher mortality rate among FFS dialysis beneficiaries than in 2019
 - ESRD patients are at increased risk for COVID-19 related morbidity and mortality
 - In both years, average treatments per beneficiary \approx 115
- 20 percent marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries

Use of ESRD drugs in the PPS bundle continues to decline, with no adverse effect on beneficiaries' health status



Note: All drugs included in this analysis are paid under the ESRD PPS base rate. Use of drugs is estimated by multiplying drugs units reported on claims by 2021 average sales price. Drugs included are: epoetin alfa, epoetin beta, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate, ferumoxytol, ferric carboxymaltose (iron agents); calcitriol, doxercalciferol, paricalcitol (vitamin D agents); daptomycin, vancomycin, alteplase, and levocarnitine (all other drugs). ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Quality of care is difficult to assess in 2020

- Increase in mortality rate and decrease in transplant rate
- Decline in rate of emergency department visits and all-cause hospital admissions while readmissions remained steady
- Percent of dialysis FFS beneficiaries meeting guidelines for dialysis adequacy remains high
- Share of FFS beneficiaries dialyzing at home continues to increase

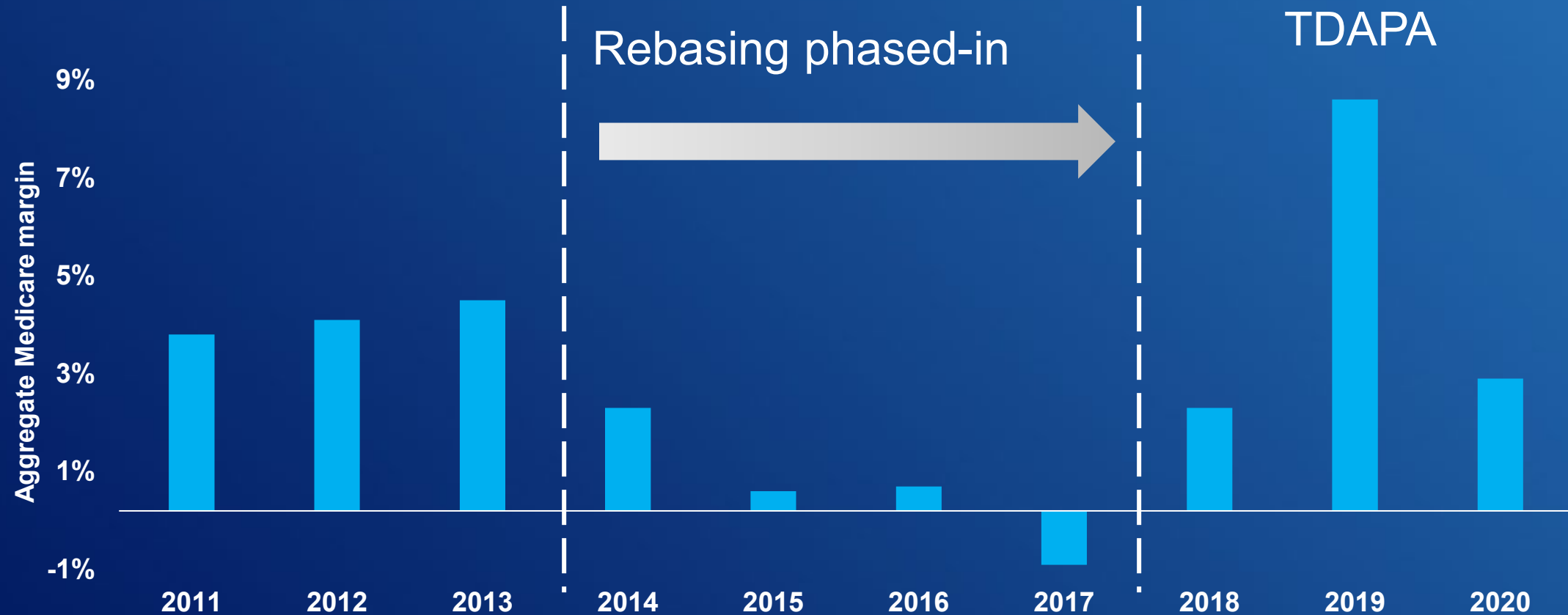
Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS.
Data are preliminary and subject to change.

Access to capital appears positive

- Growing number of facilities that are for-profit and freestanding
- Both large and small organizations have access to private capital to fund acquisitions
- The large dialysis organizations (that account for 75 percent of all facilities) continue to grow with acquisitions and mergers
- New entrants in the dialysis sector
- 2020 all-payer margin estimated at 16 percent, increases to 16.5 percent with PHE relief funds

Source: MedPAC analysis of cost reports submitted by freestanding dialysis facilities to CMS.
Data are preliminary and subject to change

Aggregate Medicare margin changed in response to payment policies



2020 Medicare margin varies by treatment volume

Type of freestanding dialysis facility	Medicare margin	% freestanding dialysis facilities	% freestanding dialysis treatments
All	2.7%	100%	100%
Treatment volume (quintiles)			
Lowest	-20.2	20	7
Second	-8.2	20	13
Third	0.3	20	18
Fourth	4.8	20	24
Highest	10.1	20	39
Urban	3.5	84	88
Rural	-1.5	16	12

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

Summary: Outpatient dialysis payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and providers' costs
<ul style="list-style-type: none">• Growth in provider supply and capacity• Positive marginal profit: 20%	<ul style="list-style-type: none">• Increase in home dialysis• Admissions and ED visits decline• Increase in mortality	<ul style="list-style-type: none">• Continued entry of for-profits• Sector viewed favorably by investors• All payer margin: 16%	<ul style="list-style-type: none">• 2020 Medicare margin: 2.7%

Note: Data are preliminary and subject to change