

# Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray and Andy Johnson

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# Overview of outpatient dialysis services, 2021

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- 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
  - On a per-unit basis for qualifying new drugs, equipment, and supplies
- FFS beneficiaries: About 332,000
- Providers: About 7,880 dialysis facilities
- Medicare FFS dialysis spending: \$10.0 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 2021
- Projected overall Medicare margin in 2023

Update recommendation for outpatient dialysis payment rate

# Dialysis capacity continues to increase

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- Between 2020 and 2021:
  - In-center treatment stations increased by 1.5 percent
  - Capacity grew faster than the growth of all FFS + MA dialysis beneficiaries
- Net increase in number of facilities (about 120)
  - Facilities that closed in 2020 (about 40) were more likely to be small, hospital-based, and located in urban areas
  - Analysis suggests that < 1 percent of beneficiaries affected
- 20 percent marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries

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

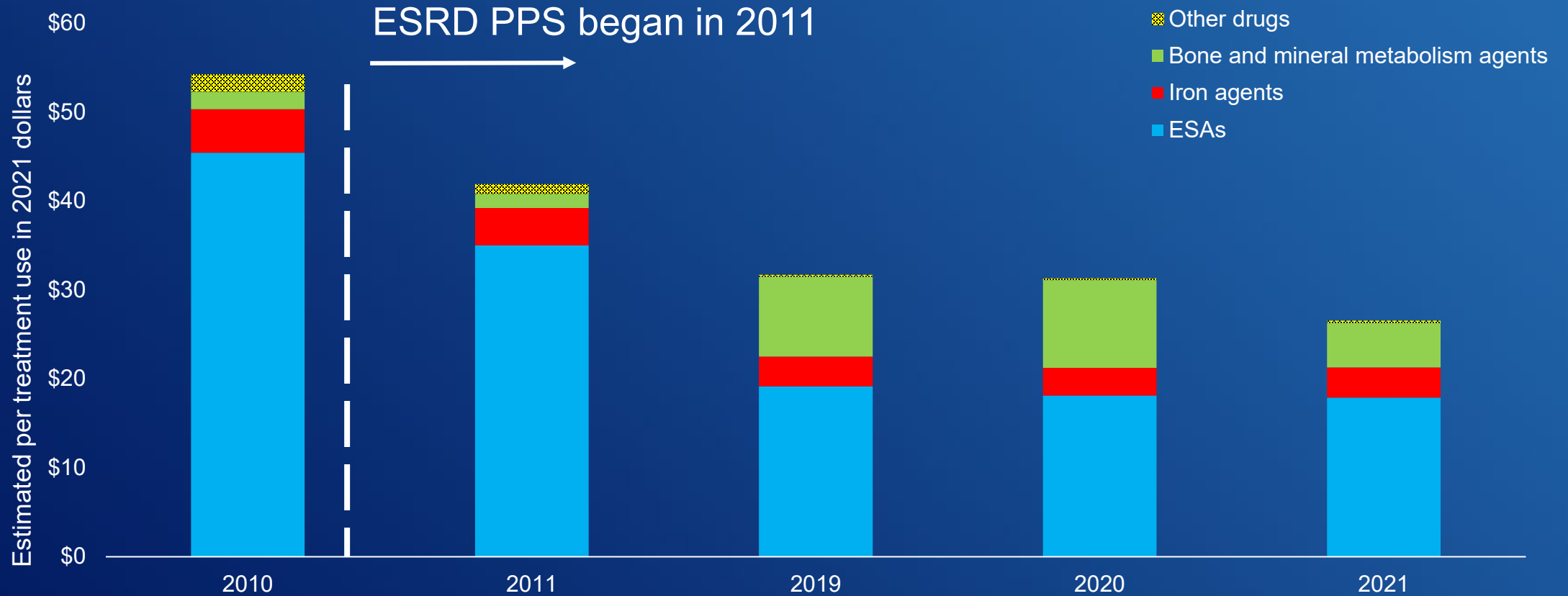
# Decline in FFS dialysis treatments largely attributable to increasing MA enrollment

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- Between 2020 and 2021, total number of dialysis FFS treatments declined by 20 percent
- 21<sup>st</sup> Century Cures Act permits ESRD beneficiaries to enroll in MA as of January 1, 2021
  - Between December 2020 and January 2021, the share of dialysis beneficiaries enrolled in MA increased from 27 percent to 36 percent
  - By December 2021, the share of dialysis beneficiaries enrolled in MA was 41 percent
- In 2018, MA contracts paid 14 percent more per dialysis treatment on average than FFS

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

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



Note: All drugs included in this analysis are paid under the ESRD PPS. In 2020, calcimimetics were paid on a per unit basis under a transitional drug add-on payment policy. In 2021, calcimimetics were included in the ESRD PPS bundle. 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, cinacalcet, etelcalcetide (bone and mineral metabolism 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 FFS care is difficult to assess in 2021

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- Increase in rates of hospital admission, mortality, and blood transfusion
- Rates of emergency department visits and readmissions remained steady
- Percent of dialysis FFS beneficiaries meeting guidelines for dialysis adequacy remains high
- Share of FFS beneficiaries dialyzing at home and number of kidney transplants across all individuals continues to increase

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

# Access to capital appears positive

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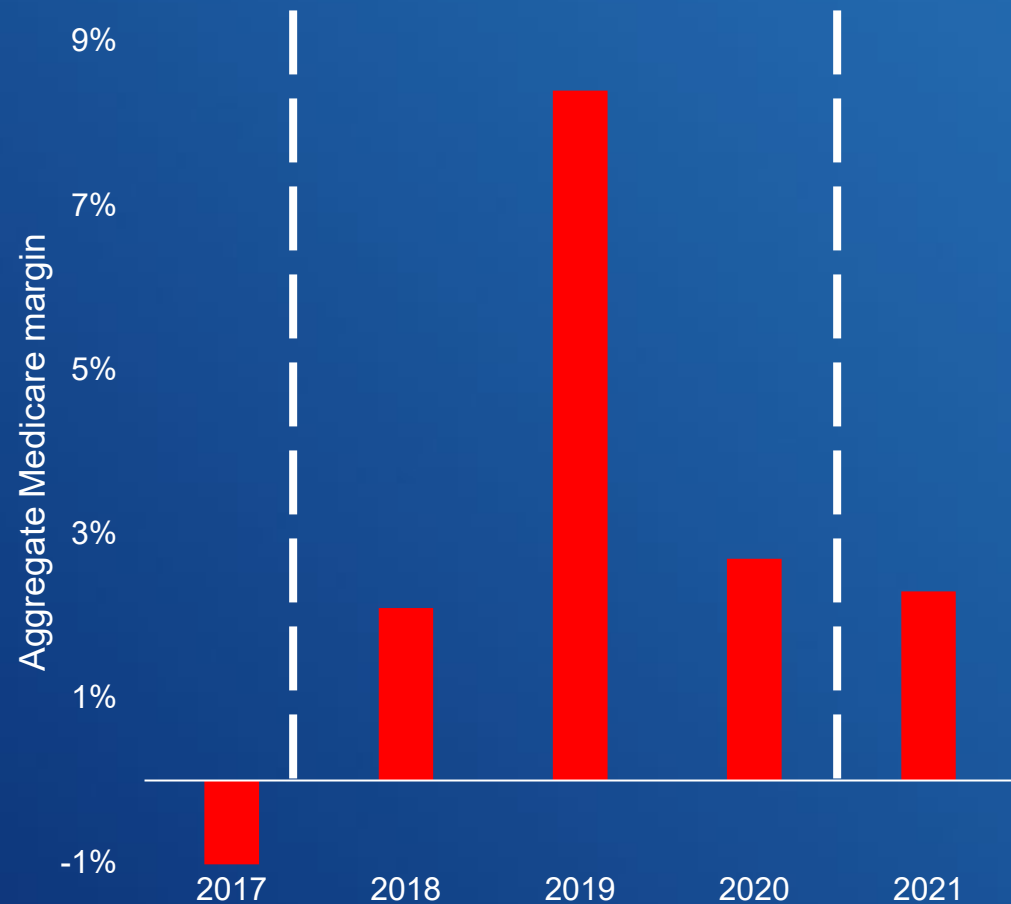
- Growing number of facilities are for-profit and freestanding
- Both large and small organizations have access to private capital to fund acquisitions
- The large dialysis organizations (which account for 75 percent of all facilities) continue to grow with acquisitions and mergers
- 2021 all-payer margin: 17 percent

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

- Between 2018 and 2020, the add-on payment for calcimimetics contributed to the increase in the aggregate Medicare margin
- In 2021, the add-on payment for calcimimetics ended, which might have contributed to the modest decline in the aggregate Medicare margin



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

# 2021 Medicare margin varies by treatment volume

Type of freestanding dialysis facility	Medicare margin	% freestanding dialysis facilities	% freestanding dialysis treatments
All	2.3%	100%	100%
Treatment volume (quintiles)			
Lowest	-20.6	20	7
Second	-9.2	20	13
Third	-1.1	20	18
Fourth	4.5	20	24
Highest	10.3	20	39
Urban	3.0	84	88
Rural	-1.4	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"><li>• Growth in provider supply and capacity</li><li>• Positive marginal profit: 20%</li></ul>	<ul style="list-style-type: none"><li>• Increase in home dialysis</li><li>• ED visits held steady</li><li>• Increase in mortality and admissions</li></ul>	<ul style="list-style-type: none"><li>• Continued entry of for-profits</li><li>• Sector viewed favorably by investors</li><li>• All payer margin: 17%</li></ul>	<ul style="list-style-type: none"><li>• 2021 Medicare margin: 2.3%</li></ul>

Note: Data are preliminary and subject to change