

Assessing payment adequacy and updating payments: Outpatient dialysis services

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Presentation roadmap

- 1 Overview of outpatient dialysis services under FFS Medicare
- 2 Beneficiaries' access to outpatient dialysis services
- 3 Quality of outpatient dialysis care
- 4 Dialysis providers' access to capital
- 5 FFS Medicare payments and dialysis providers' costs
- 6 Chair's draft recommendation

Overview of outpatient dialysis services under FFS Medicare, 2022

- 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, supply, labor, and drugs
 - On a per-unit basis for qualifying new equipment, supplies, and drugs
- FFS beneficiaries on dialysis: about 390,000
- Providers: About 7,865 dialysis facilities
- Medicare FFS outpatient dialysis spending: \$8.8 billion

Note: FFS (fee-for-service).

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

Payment adequacy framework: outpatient dialysis providers



Beneficiaries' access to care

- Capacity and supply
- Volume of services
- FFS Medicare marginal profit



Quality of care

- Dialysis adequacy and anemia management
- Use of inpatient hospital, emergency department services
- Home dialysis
- Mortality



Access to capital

- Financial reports
- All-payer operating margin



FFS Medicare payments and costs

- FFS Medicare margin
 - Aggregate
 - By groups
- Projected FFS Medicare margin

Update recommendation for outpatient dialysis base rate

Note: FFS (fee-for-service).

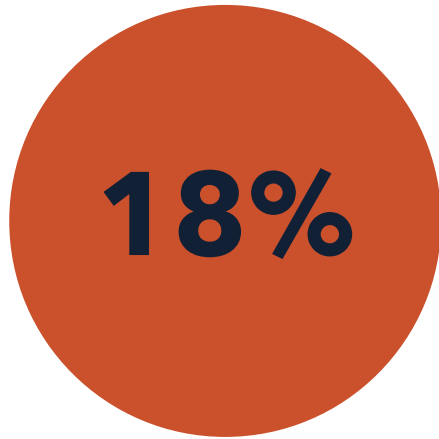
Access: Dialysis capacity remained steady in 2022

- Between 2021 and 2022:
 - Number of in-center dialysis treatment stations remained steady
 - Number of FFS and MA beneficiaries on dialysis declined
- Slowdown in the growth of capacity compared to prior years is linked to:
 - Excess mortality due to the coronavirus pandemic
 - Decline in the incidence rates of ESRD between 2011 and 2021
 - Decline in the total number of treatments (across all payers) furnished by freestanding dialysis facilities
 - Increased use of home dialysis

Note: FFS (fee-for-service). MA (Medicare Advantage).

Source: Compiled by MedPAC from CMS's enrollment files, outpatient dialysis claims, and freestanding outpatient dialysis cost reports. Data on incidence of ESRD between 2011 and 2021 derived from the United States Renal Data System 2023.

Access: Outpatient dialysis facilities have a strong financial incentive to serve FFS beneficiaries



FFS Medicare marginal profit

- Marginal profit for 2022 indicates that outpatient dialysis providers with available capacity have a financial incentive to serve FFS Medicare beneficiaries

Note:

Source:

FFS (fee-for-service),

Compiled by MedPAC from CMS's freestanding cost reports and outpatient dialysis claims.

Decline in FFS dialysis treatments since 2021

- Between 2021 and 2022:
 - FFS dialysis treatments declined by 14%
 - FFS beneficiaries on dialysis declined by 13%
- The number of FFS dialysis treatments per beneficiary per week remained steady in 2022 at 2.9
- The decline in the number of FFS beneficiaries on dialysis in 2022 is largely attributable to their increased enrollment in MA

Note: FFS (fee-for-service), MA (Medicare Advantage).

Source: Compiled by MedPAC from CMS's enrollment files and outpatient dialysis claims.

From 2020 to 2022, large increase in the share of beneficiaries on dialysis enrolling in MA plans

- 21st Cures Act permits beneficiaries with ESRD to enroll in MA as of January 1, 2021
 - Between December 2020 and December 2022, the share of beneficiaries on dialysis enrolled in MA climbed from 27% to 47%
- Increasing MA enrollment by beneficiaries on dialysis is likely linked to the same factors affecting enrollment among non-ESRD beneficiaries:
 - Availability of extra benefits
 - Lower cost-sharing liability
- In 2018, MA contracts paid 14% more per dialysis treatment on average than FFS

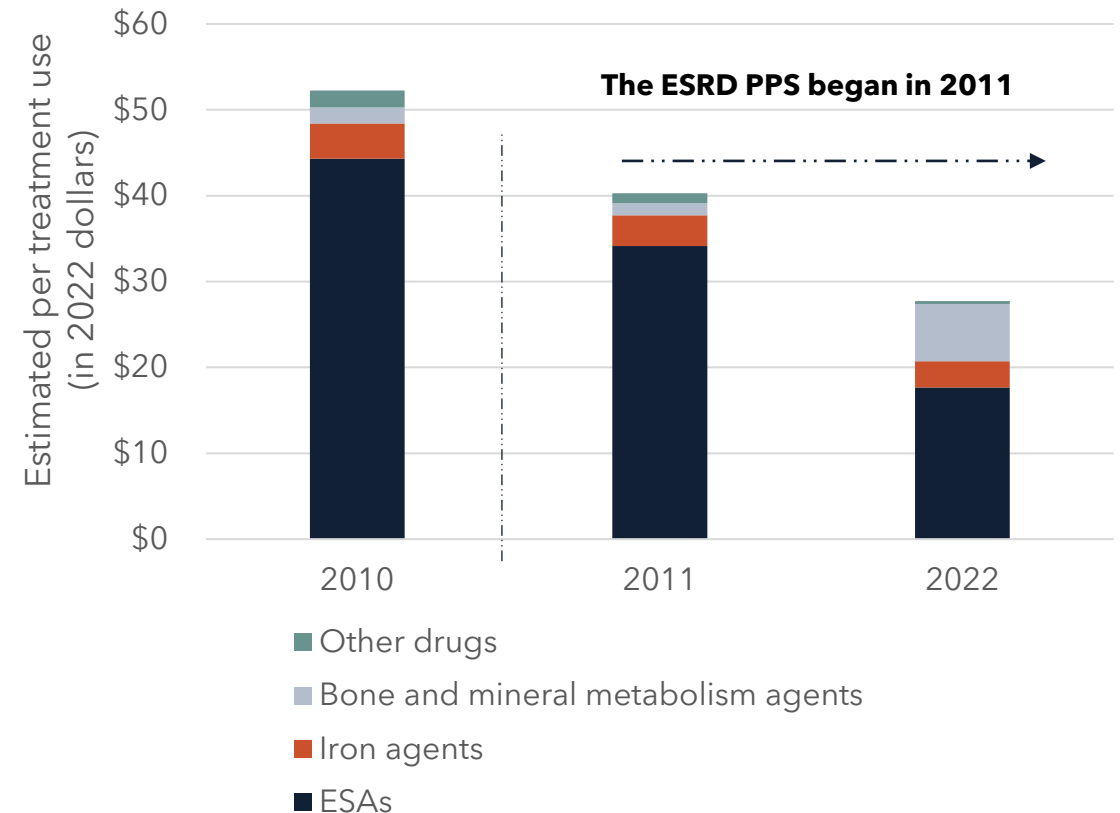
Note: FFS (fee-for-service), MA (Medicare Advantage).

Source: Compiled by MedPAC from CMS's enrollment files and outpatient dialysis claims.

Declining use of ESRD drugs under PPS with no adverse effect on beneficiaries' health status

- Under the ESRD PPS:
 - Providers more judicious about the provision of services
 - Competition for market share fostered among drugs with similar health effects
 - Change in anemia management linked to lower risk of adverse cardiovascular events

Note: Use of ESRD drugs is estimated by multiplying each drug's units reported on claims by its 2022 average sales price. ESA (erythropoietin stimulating agents). Drugs included are: epoetin alfa, epoetin beta, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate (iron agents); calcitriol, doxercalciferol, paricalcitol, cinacalcet, etelcalcetide (bone and mineral metabolism agents); daptomycin, vancomycin, alteplase, and levocarnitine (all other drugs).



Source: MedPAC analysis of CMS's outpatient dialysis claims and average sales price files.

Quality of outpatient dialysis care held steady between 2021 and 2022

- Emergency department visits, admissions, readmissions, and mortality remained steady
- Anemia management measures examining hemoglobin levels and blood transfusion rates remained steady
- Percent of dialysis FFS beneficiaries meeting guidelines for dialysis adequacy remains high
- Shares of FFS beneficiaries dialyzing at home and number of kidney transplants across all individuals continue to increase

Note: FFS (fee-for-service).

Source: Compiled by MedPAC from CMS's enrollment files, outpatient dialysis claims, and freestanding outpatient dialysis cost reports, and data from Organ Procurement and Transplantation Network .

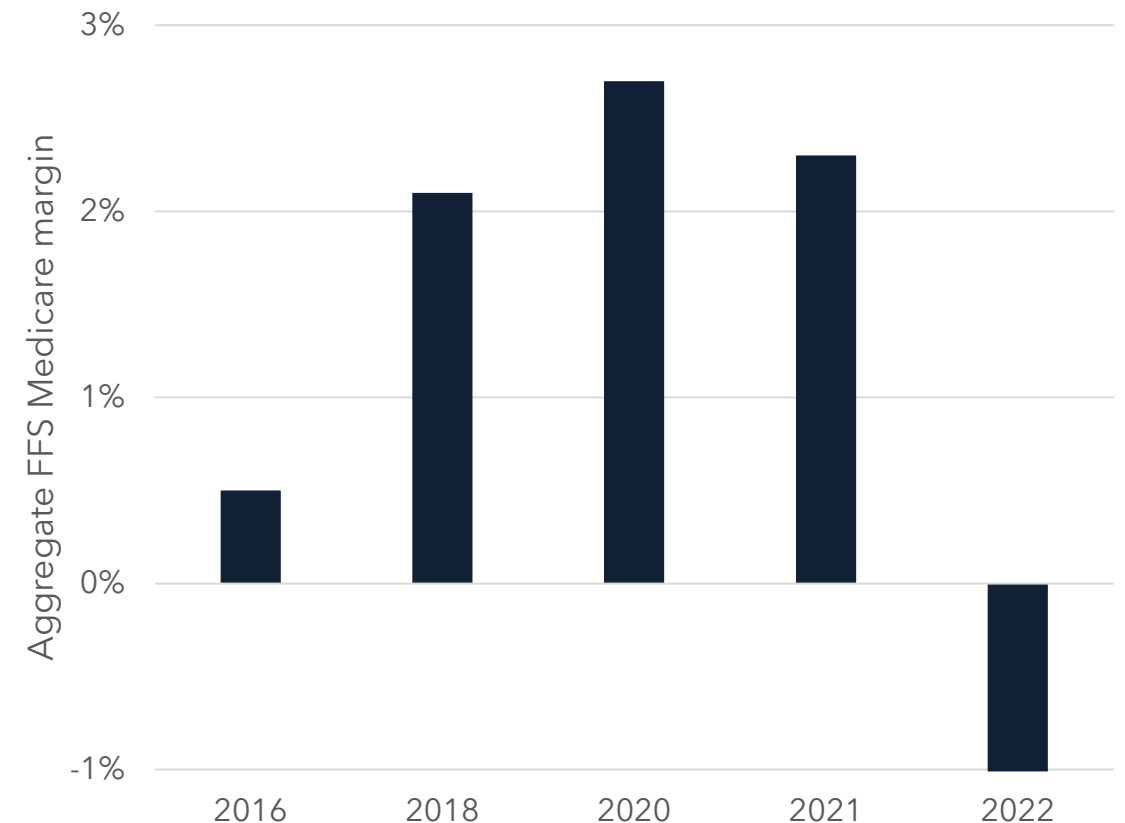
Access to capital remains good

- Current growth trends among dialysis providers indicate that the dialysis industry is attractive to for-profit facilities and investors
- The large dialysis organizations have reported positive financial performance related to their dialysis business for 2023, including improvements in productivity and earnings growth
- 2022 all-payer margin: 14%

Source: Compiled by MedPAC from CMS's enrollment files and outpatient dialysis claims, and freestanding outpatient dialysis cost reports.

Payments and costs: Aggregate FFS Medicare margin for outpatient dialysis services declined in 2022

- Between 2018 and 2020, add-on payments for new drugs contributed to the increase in the aggregate FFS Medicare margin
- In 2022, higher labor and capital cost growth than historical norms contributed to decline in the aggregate FFS Medicare margin



Note: FFS (fee-for service). Excludes pandemic-related federal relief funds.

Source: Compiled by MedPAC from CMS's freestanding cost reports and outpatient dialysis claims.

Payments and costs: Aggregate FFS margin for outpatient dialysis varied by treatment volume, 2022

Type of freestanding dialysis facility	FFS Medicare margin	% freestanding dialysis facilities	% freestanding dialysis treatments
All	-1.1%	100%	100%
Urban	-0.4	84	88
Rural	-4.5	16	12
By treatment volume:			
Lowest (quintiles)	-24.1	20	7
Second	-13.4	20	13
Third	-5.0	20	18
Fourth	1.6	20	24
Highest	7.4	20	39

Note: FFS (fee-for-service).

Source: Compiled by MedPAC from CMS's freestanding dialysis cost reports and outpatient dialysis claims.

Summary: Outpatient dialysis payment adequacy indicators



Beneficiaries' access to care

- Capacity steady in 2022
- Capacity exceeds growth in beneficiaries on dialysis
- FFS treatment decline reflects beneficiaries enrolling in MA plans
- Positive FFS Medicare marginal profit

Positive



Quality of care

- In 2022, ED visits admissions, readmissions and mortality remained steady for FFS beneficiaries on dialysis
- Increase in use of home dialysis for FFS beneficiaries on dialysis

Stable



Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance for 2023
- All-payer margin of 14%

Positive



FFS Medicare payments and costs

- 2022 FFS Medicare margin: -1.1%

Mixed

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