

Assessing payment adequacy and updating payments: Outpatient dialysis services

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December 5, 2025

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Overview of outpatient dialysis services under FFS Medicare

- Outpatient dialysis services are used to treat individuals with ESRD
- Dialysis facilities are paid:
 - For each treatment they furnish using a defined “ESRD bundle” that includes drugs, laboratory tests, and other ESRD items and services
 - Add-on payments for qualifying new equipment, supplies, and drugs

Note: FFS (fee-for-service), ESRD (end-stage renal disease).

Overview of outpatient dialysis services under FFS Medicare, 2024



FFS beneficiaries on dialysis

240,500



FFS dialysis treatments per beneficiary per week

2.8



Dialysis facilities

7,600



Medicare FFS outpatient dialysis spending

\$7.6 billion

Note: FFS (fee-for-service). Medicare FFS outpatient dialysis spending includes program spending and beneficiary cost sharing.
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



Quality of care

- Dialysis adequacy and anemia management
- In-center hemodialysis patient experience
- Home dialysis
- Use of inpatient hospital, emergency department services
- 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: The capacity of dialysis facilities appears aligned with demand



- In-center capacity decreased in 2024, but so did the number of Medicare beneficiaries on dialysis
- Access is stable: Total number of in-center treatment stations and Medicare beneficiaries on dialysis both declined by 1%
- The average number of FFS dialysis treatments per beneficiary per week remained steady



- Factors linked to slowdown in capacity growth in 2024 compared to 2019-2023:
 - Excess mortality, in part due to the coronavirus pandemic and the flu
 - Slower growth in the number of individuals newly diagnosed with ESRD
 - Increased use of home dialysis

Note: ESRD (end-stage renal disease), FFS (fee-for-service). Using the most recent 10 years of data on ESRD incidence (2012-2022), we find that unadjusted incidence counts grew by 2% per year between 2012 and 2017, compared to 0.5% per year between 2017 and 2022.

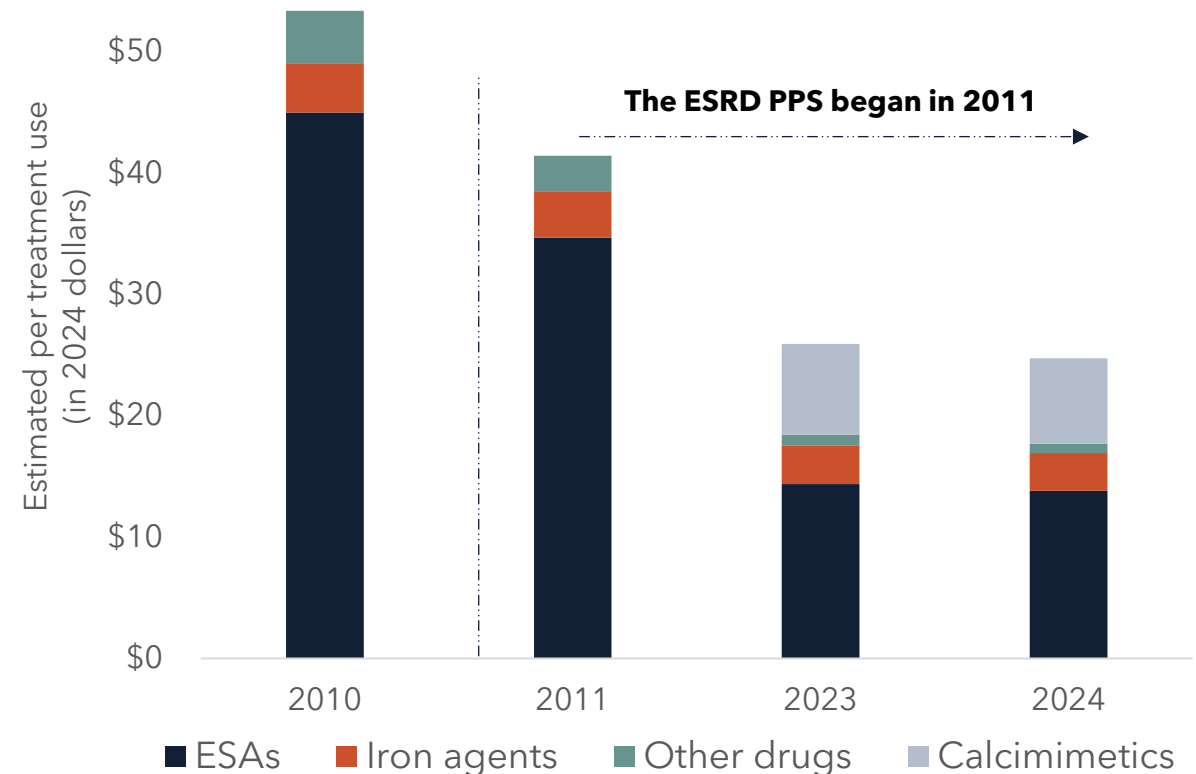
Source: MedPAC analysis of CMS's enrollment files, outpatient dialysis claims, and freestanding outpatient dialysis cost reports. Data on incidence of ESRD between 2012 and 2022 derived from the U.S. Renal Data System, 2024.

Declining use of ESRD drugs under PPS but little to no 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:

ESRD (end-stage renal disease), PPS (prospective payment system), ESA (erythropoietin-stimulating agents). Use of ESRD drugs is estimated by multiplying each drug's units reported on claims by its 2024 drug pricing data. Drugs included are ESAs (epoetin alfa reference product, epoetin alfa biosimilar, epoetin beta, darbepoetin); iron agents (iron sucrose, sodium ferric gluconate); calcimimetics (cinacalcet, etelcalcetide); and all other drugs (calcitriol, doxercalciferol, paricalcitol, daptomycin, vancomycin, alteplase, and levocarnitine).



Source:

MedPAC analysis of CMS's outpatient dialysis claims and 2023 drug pricing data.

Quality of outpatient dialysis care was mixed in 2024

- Measures of dialysis adequacy and anemia management, hospitalization rates, in-center hemodialysis patient experience remain steady
- Use of home dialysis and number of kidney transplants increased
- Use of ED visits increased
- Mortality remained stable but has been elevated relative to before the coronavirus pandemic

Note: ED (emergency department). The number of kidney transplants includes individuals across all types of health coverage.

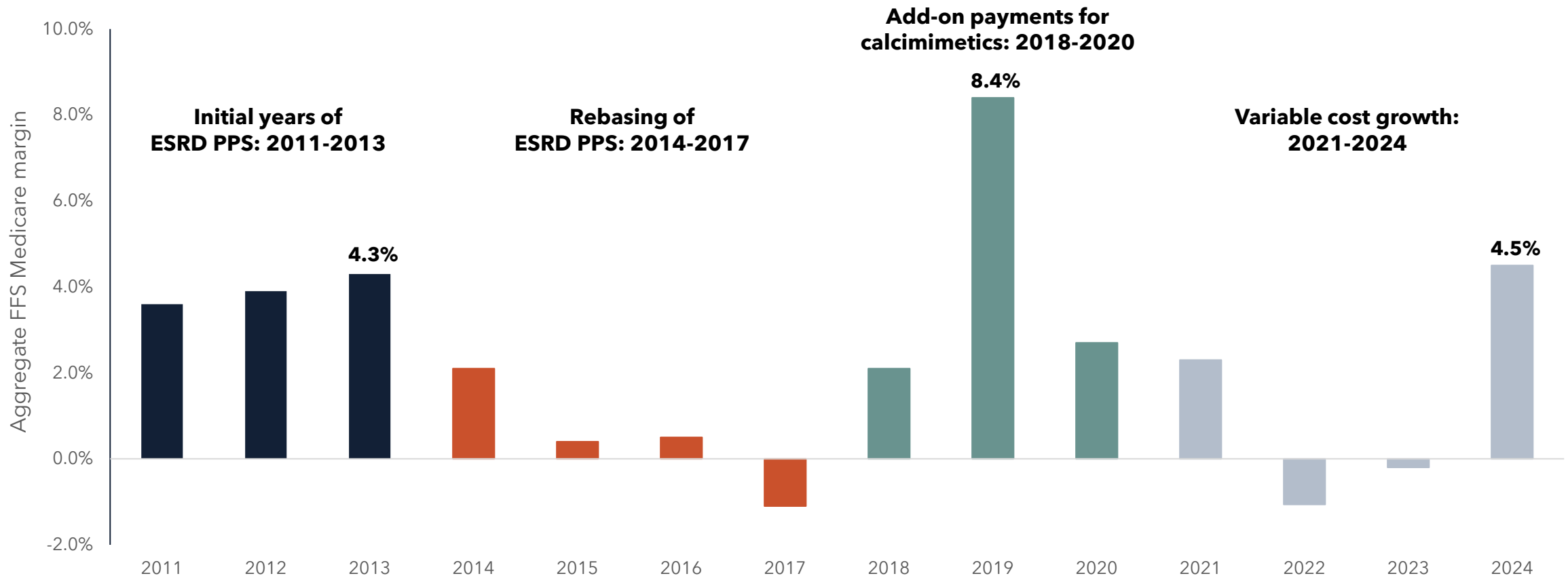
Source: MedPAC analysis of CMS's enrollment files, outpatient dialysis claims, freestanding outpatient dialysis cost reports, In-Center Hemodialysis Consumer Assessment of Healthcare Providers and Systems® data, and data from the Organ Procurement and Transplantation Network.

Access to capital remains strong

- 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 2024, including improvements in productivity and earnings growth
- 2024 all-payer margin: 16%

Source: MedPAC analysis of CMS's enrollment files and outpatient dialysis claims, freestanding outpatient dialysis cost reports, and industry investor reports.

Payments and costs: Aggregate FFS Medicare margin for outpatient dialysis services increased in 2024



Note: ESRD (end-stage renal disease), FFS (fee-for service), PPS (prospective payment system).
Source: MedPAC analysis of CMS's freestanding facility cost reports and outpatient dialysis claims.

Payments and costs: Aggregate FFS margin for outpatient dialysis varied by treatment volume, 2024

Type of freestanding dialysis facility	FFS Medicare margin	% freestanding dialysis facilities	% freestanding dialysis treatments
All	4.5%	100%	100%
Urban	5.2	85	89
Rural	-0.3	15	11
By treatment volume:			
Lowest (quintiles)	-11.6	20	8
Second	-5.1	20	13
Third	1.9	20	18
Fourth	6.0	20	24
Highest	11.3	20	38

Note: FFS (fee-for-service). Components may not sum to 100% due to rounding.
Source: MedPAC analysis of CMS's freestanding dialysis cost reports and outpatient dialysis claims.

Payments and costs: FFS Medicare projected margin, 2026

4.5%

2024 FFS Medicare
margin



4%

2026 FFS Medicare
margin projection

Note:

FFS (fee-for-service). PPS (prospective payment system).

Source:

MedPAC analysis of CMS's freestanding dialysis cost reports, outpatient dialysis claims, CMS's final rules for the ESRD PPS, and CMS's market basket data.

Summary: Outpatient dialysis payment adequacy indicators



Beneficiaries' access to care

- Capacity in 2024 appears aligned with demand
- Access stable
- Steady treatments per beneficiary per week

Stable



Quality of care

- In 2024, dialysis adequacy, anemia management, admissions, readmissions, and patient experience remained steady for FFS beneficiaries on dialysis
- Increase in the share of FFS beneficiaries dialyzing at home
- ED visits increased; mortality remained elevated

Mixed



Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance
- 2024 all-payer margin: 16%

Positive



FFS Medicare payments and costs

- 2024 FFS Medicare margin: 4.5%
- 2026 projected margin: 4%

Positive

Note: FFS (fee-for-service), ED (emergency department).



Chair's draft recommendation

Chair's draft recommendation

For calendar year 2027, the Congress should eliminate the update to the 2026 Medicare base payment rate for outpatient dialysis services.

Implications

Spending: Decrease spending relative to current law

Beneficiary and provider: No adverse effect on access to care; continued provider willingness and ability to treat FFS Medicare beneficiaries



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