

Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2017

- FFS beneficiaries: About 394,000
- Providers: About 7,000 facilities
- Medicare FFS dialysis spending: \$11.4 billion

Source: MedPAC analysis of 2017 100 percent claims submitted by dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

Follow-up from December meeting

- Proportion of dialysis revenue from non-Medicare payers
- Patient education for chronic kidney disease
- Revision of transitional drug add-on payment adjustment beginning in 2020
- Dialysis PPS facility-level payment adjustment for low volume and rural areas

Payment adequacy indicators generally positive

- Beneficiaries' access to care
 - Net increase in number of facilities (about 250)
 - Few facility closures and few beneficiaries affected by closures in 2016
- Capacity of providers
 - Growth in number of dialysis treatment stations (3%) exceeded FFS dialysis beneficiary growth (0.4%)
- Volume of services
 - Total number of dialysis FFS beneficiaries and dialysis treatments remained steady
 - 17% marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries

Payment adequacy indicators generally positive, cont.

- Quality of care
 - Modest decrease in mortality, admissions, re-admissions
 - Increasing proportion of home dialysis beneficiaries
 - Increasing proportion of dialysis beneficiaries using emergency department
- Access to capital
 - Increasing number of facilities that are for-profit and freestanding
 - Both large and small multi-facility organizations have access to private capital to fund acquisitions

2017 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities	% of total freestanding dialysis treatments
All	-1.1%	100%	100%
Urban	-0.4	82	88
Rural	-5.5	18	12
Treatment volume (quintile)			
Lowest	-21.3	20	7
Second	-10.6	20	12
Third	-3.4	20	17
Fourth	0.8	20	24
Highest	5.4	20	39

Note: Freestanding dialysis facilities furnish 95 percent of all Medicare FFS dialysis treatments.

Source: MedPAC analysis of 2017 freestanding dialysis cost reports and 2016 100 percent claims submitted by dialysis facilities to CMS.

Projected Medicare margin in 2019

- Payment factors considered:
 - 2018 factors
 - Net payment update of 0.3%
 - Regulatory changes to increase total payments by 0.2%
 - QIP to reduce total payments by 0.14%
 - 2019 factors
 - Net payment update of 1.3%
 - Regulatory changes to increase total payments by 0.3%
 - QIP to reduce total payments by 0.15% in 2019
- 2019 projected Medicare margin: -0.4%

Policy changes in 2020

- Statutory update in 2020 is market basket less a productivity adjustment; currently estimated at 1.9%
- CMS projects a QIP reduction of total ESRD payments of 0.35%
- CMS will begin to pay facilities separately for all new drugs without any offset to the PPS base payment rate under the revised transitional drug add-on payment adjustment policy

Summary: Payment adequacy indicators generally positive

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for most measures
- Access to capital is robust
- 2017 Medicare margin: -1.1%
- 2019 projected Medicare margin: -0.4%

Data are preliminary and subject to change.