

Assessing payment adequacy and updating payments: Outpatient dialysis services

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Overview of outpatient dialysis services, 2018

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- FFS beneficiaries: About 395,000
- Providers: About 7,400 dialysis facilities
- Medicare FFS dialysis spending: \$12.7 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.

Recent changes to the ESRD PPS

- Dialysis facilities paid for each treatment they furnish using a defined “ESRD bundle” that includes equipment, supplies, labor, drugs, and labs
- As of 2018, injectable and oral calcimimetics are paid using a transitional drug add-on payment adjustment (TDAPA)
 - Separately billable payment is based on each drug’s average sales price
 - CMS will include calcimimetics in the PPS payment bundle once sufficient claims data for rate setting analysis are available
- Beginning in 2020:
 - Other new dialysis drugs and biologics may be eligible for expanded TDAPA policy
 - Equipment and supplies may be eligible for a transitional add-on payment adjustment for new and innovative equipment and supplies (TPNIES)
 - Expanded TDAPA and TPNIES will be paid for two years; thereafter, item will be included in PPS payment bundle without change to the base rate

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

Medicare payments and providers' costs

- Payments and costs
- Overall Medicare margins in 2018
- Projected overall Medicare margin in 2020

Update recommendation for outpatient dialysis payment rate

Dialysis capacity continues to increase

- Between 2017 and 2018, dialysis treatment stations increased by 4 percent; capacity growth exceeded FFS dialysis beneficiary growth
- Net increase in number of facilities (about 320)
 - Few facilities closed in 2017; closed facilities (about 70) were more likely to be small, nonprofit, and hospital-based
 - Analysis suggests that beneficiaries affected by closures (0.4 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.

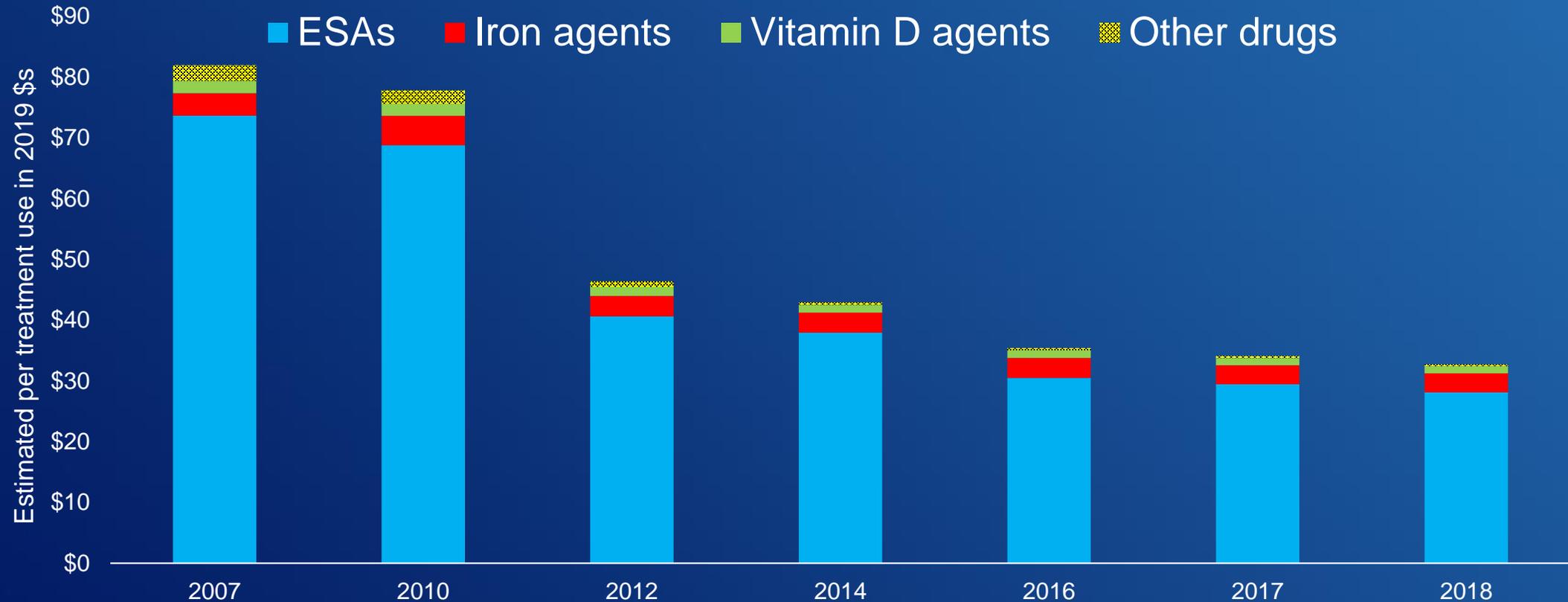
Growth in beneficiaries matches growth in dialysis treatments

- Between 2017 and 2018:
 - Total number of dialysis FFS beneficiaries increased by 0.2 percent
 - Total number of dialysis treatments increased by 0.3 percent
- In both years, average treatments per beneficiary \approx 115
- 18 percent marginal profit suggests that providers have a financial incentive to continue to serve Medicare beneficiaries

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

Data are preliminary and subject to change.

Use of dialysis drugs in the PPS payment bundle continues to decline



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 2019 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.

Dialysis quality stable between 2013 and 2018

- Percent of dialysis FFS beneficiaries meeting guidelines for dialysis adequacy remains high
- Home dialysis use increased from 10 percent to 12 percent
- Modest decrease in hospital admissions per beneficiary
- Rates of mortality and hospital readmission held steady
- Percent of beneficiaries with an ED visit increased from 11 percent to 12 percent

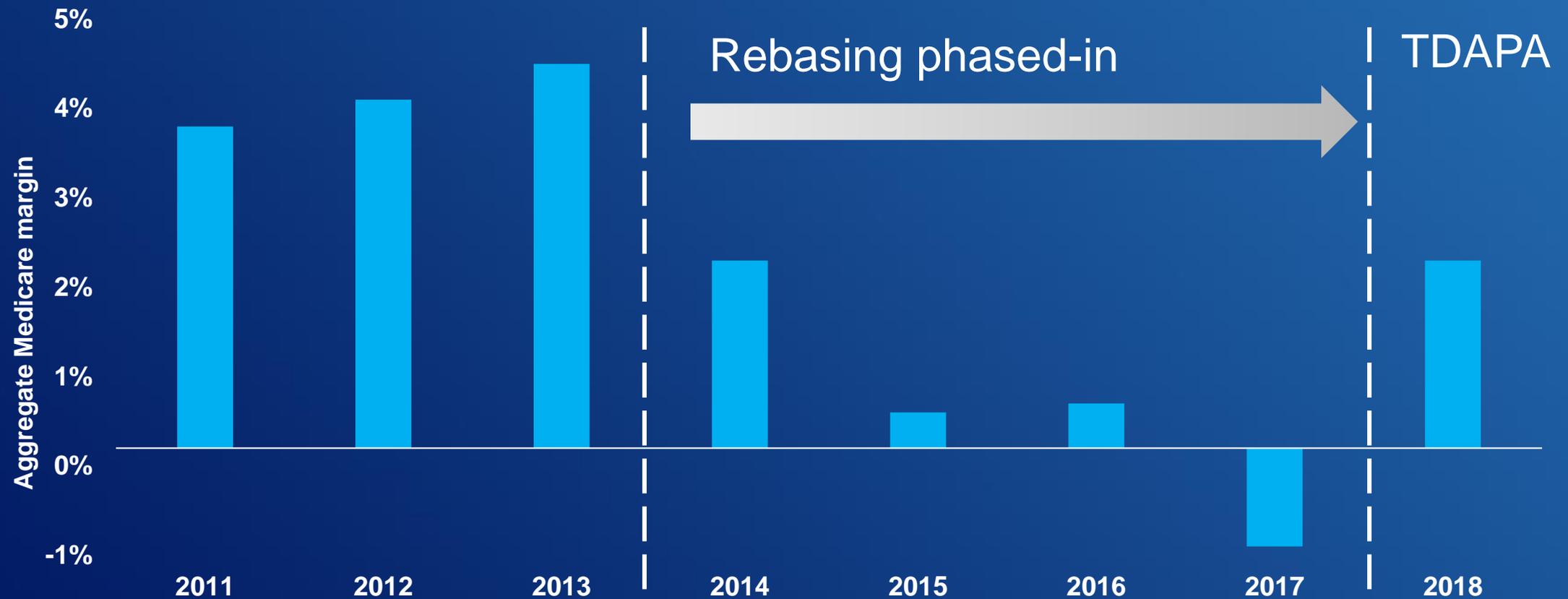
Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS.
Data are preliminary and subject to change.

Access to capital appears positive

- Increasing number of facilities that are for-profit and freestanding
- Both large and small organizations have access to private capital to fund acquisitions
- Under the ESRD PPS, two large dialysis organizations have grown with acquisitions and mergers
- New entrants in the dialysis sector
- 2018 all-payer margin estimated at 20 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



2018 Medicare margin varies by facility size

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities	% of freestanding dialysis treatments
All	2.1%	100%	100%
Urban	2.8	83	88
Rural	-2.8	17	12
Treatment volume (quintile)			
Lowest	-19.3	20	7
Second	-8.0	20	12
Third	-0.1	20	17
Fourth	4.2	20	24
Highest	8.7	20	39

Source: MedPAC analysis of 2018 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 (18%)	<ul style="list-style-type: none">• Modest increase in home dialysis use• Mortality and readmission rates steady	<ul style="list-style-type: none">• Continued entry of for-profits• Sector viewed favorably by investors	<ul style="list-style-type: none">• 2018 Medicare margin: 2.1%• 2020 projected margin: 2.4%
Positive	Stable	Positive	Positive