Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2013

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 376,000
- Providers: About 6,000 facilities
- Medicare spending: $11.0 billion

Source: MedPAC analysis of 2013 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

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Agenda

- Overview of new prospective payment system
- Payment adequacy analysis

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New prospective payment system began in 2011

- Expands the payment bundle
  - Composite rate services (dialysis + nursing)
  - Part B dialysis injectable drugs and their oral equivalents
  - ESRD-related laboratory services
  - Selected Part D drugs
- Adjusts for beneficiary characteristics
  - Age and body mass
  - 3 chronic and 3 acute comorbidities
  - Dialysis onset

Payment adequacy factors

- Beneficiaries' access to care
  - Supply and capacity of providers
  - Volume of services
- Changes in the quality of care
- Providers' access to capital
- Payments and costs

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Dialysis capacity continues to increase

- Between 2012 and 2013, dialysis treatment stations increased by 3% per year; capacity growth kept up with beneficiary growth
- In 2013, net increase in number of facilities

  (≈190 facilities)
- In 2012, facilities that closed were small, nonprofit, and hospital-based (≈40 facilities)
- Analysis suggests that beneficiaries affected by closures received care at other facilities
- Few differences in patients' characteristics in closed facilities compared to all other facilities

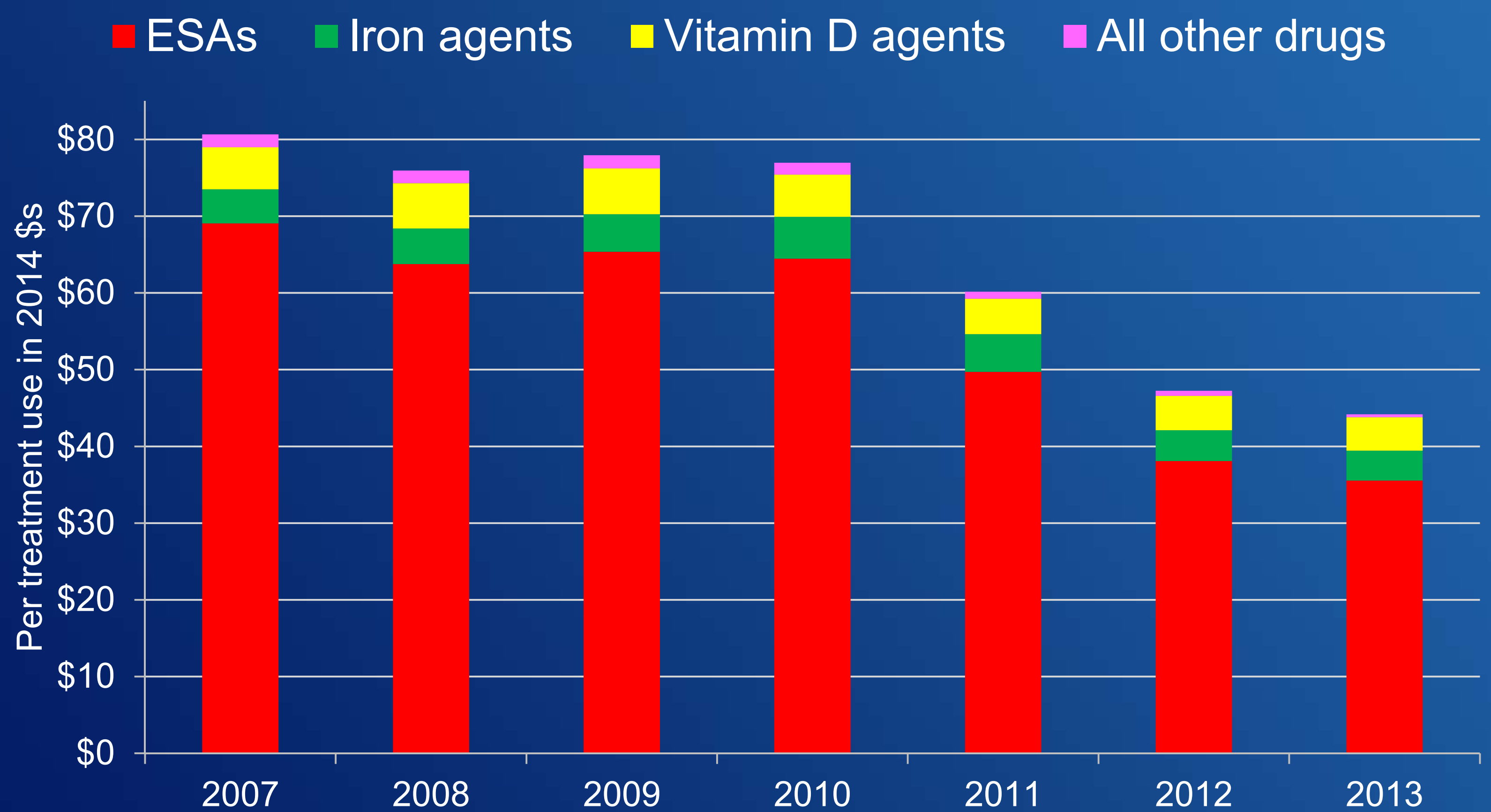
Source: MedPAC analysis of 2008-2013 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Growth in beneficiaries matches growth in treatments

- Between 2012 and 2013:
  - Total number of dialysis FFS beneficiaries increased by 2 percent
  - Total number of dialysis treatments increased by 2 percent
- In both years, average treatments per beneficiary ≈117

Source: MedPAC analysis of 2008-2013 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Use of dialysis drugs declined under the new payment method



Note: Leading 12 drugs are : erythropoietin, darbepoetin (ESAs); iron sucrose, sodium ferric gluconate, ferumoxytol (iron agents); calcitriol, doxercalciferol, paricalcitol (vitamin D agents); daptomycin, vancomycin , alteplase; and levocarnitine (all other drugs). ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 2007-2013 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

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Dialysis quality between 2010 and 2013

- Percent of dialysis beneficiaries experiencing outcome:
  - Mortality declined from 1.7% per month in 2010 to 1.5% per month in 2013
  - ED use held steady between 10.5% to 10.8% per month
  - Admissions modestly declined from 14.3% per month in 2010 to 12.8% per month in 2013
  - Home dialysis modestly increased from 8.3% per month in 2010 to 10.1% per month in 2013

Source: CMS 2013.
Data are preliminary and subject to change.

Anemia management between 2010 and 2013

- Hemoglobin levels per month declined between 2010 and 2012 then leveled off in 2013
- Percent of dialysis beneficiaries undergoing blood transfusions per month increased between 2010 and 2012 then modest decline in 2013

Source: CMS 2013.
Data are preliminary and subject to change.

Providers' access to capital

- Increasing number of facilities that are for-profit and freestanding
- Both large and small chains have access to private capital to fund acquisitions

2013 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities
All	4.3%	100%
Two largest dialysis organizations	4.1	77
All others	5.2	23
Urban	4.9	80
Rural	0.6	20
Treatment volume (quintile)		
Lowest	-12.3	20
Second	-3.8	20
Third	2.0	20
Fourth	6.0	20
Highest	9.7	20

Source: MedPAC analysis of 2013 freestanding dialysis cost reports and 2013 100 percent claims submitted by dialysis facilities to CMS.

Data are preliminary and subject to change

Other policy changes in 2016

- CMS's latest market basket forecast is 2.9%
- ESRD update is set by statute at market basket reduced by a productivity adjustment (0.5 percentage points) and a statutory adjustment (1.25 percentage points)
- CMS projected a QIP reduction of total ESRD payments of 0.17%

Summary of payment adequacy

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital is adequate
- 2013 Medicare margin: 4.3%

Data are preliminary and subject to change.

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