

Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: Outpatient dialysis services

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Overview of the outpatient dialysis sector, 2012

- Beneficiaries: About 370,000
- Providers: About 5,800 facilities
- Medicare spending: \$10.7 billion

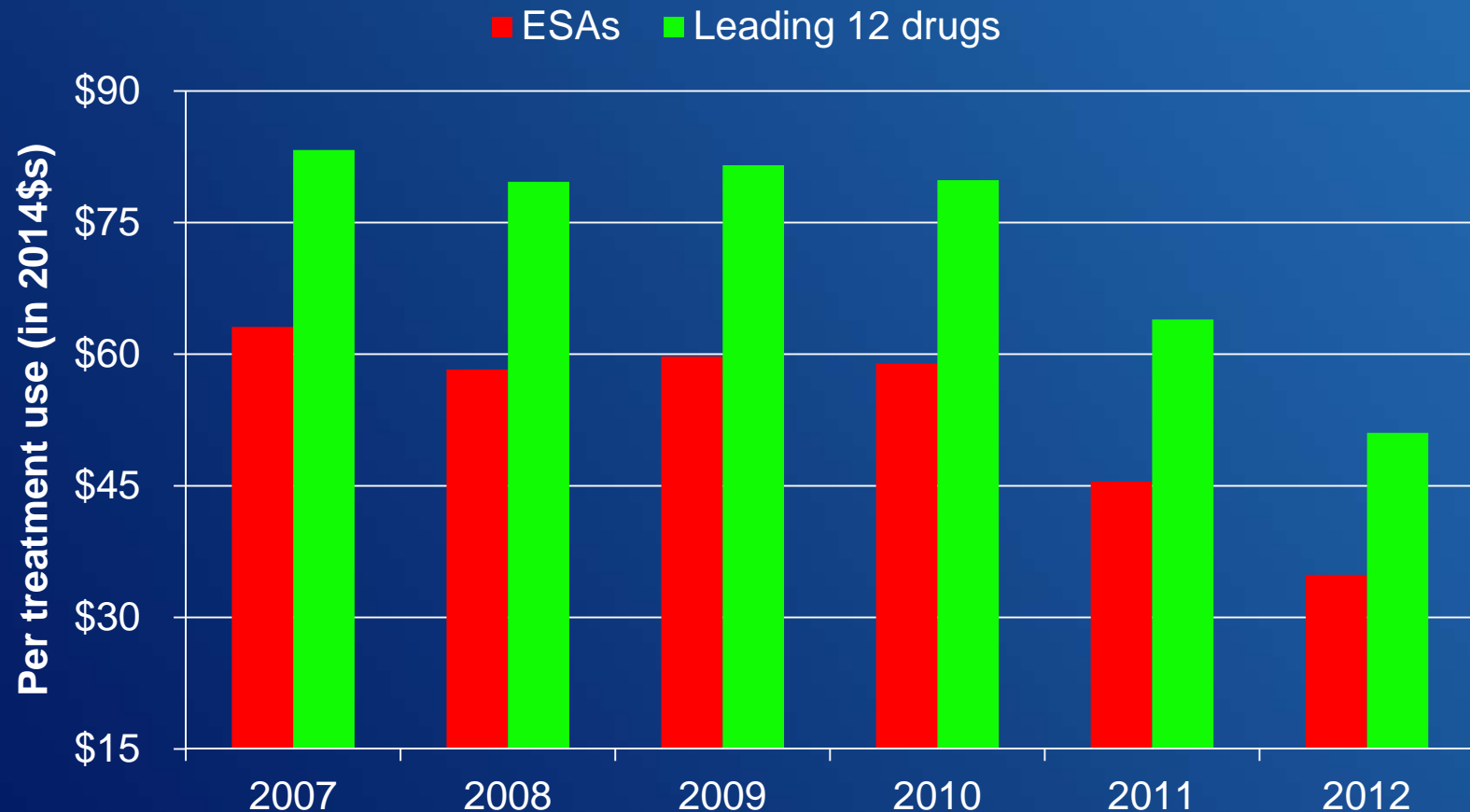
Questions from December meeting

- Access to kidney transplantation
- Mortality differences by ESRD modality
- Transportation services for dialysis beneficiaries
- Facility ownership in rural areas

Summary of adequacy indicators

- Supply and capacity of providers
 - Net increase in the number of dialysis beneficiaries and dialysis treatment stations
- Beneficiaries' access to care
 - Few facility closures and few beneficiaries affected by closures in 2011
- Volume of services
 - Growth in dialysis treatments matches beneficiary growth

Volume of services: Use of dialysis drugs declined under the new PPS



Note: Leading 12 drugs are : erythropoietin, darbepoetin , iron sucrose, sodium ferric gluconate, ferumoxytol, calcitriol, doxercalciferol, paricalcitol, daptomycin, vancomycin, alteplase; and levocarnitine. ESAs (erythropoietin stimulating agents). Source: MedPAC analysis of 2007-2012 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change

Summary of adequacy indicators: Quality of dialysis care

- Anemia management
 - Cumulative rates of stroke, heart failure, and AMI generally declined
 - Decline in hemoglobin levels per month; modest increase in blood transfusion rate
- Modest decline in admissions
- Increase in home dialysis use

Summary of adequacy indicators

- Access to capital: Both large and small chains have access to private capital to fund acquisitions
- 2012 Aggregate Medicare margin for freestanding dialysis facilities: 3.9%

Data are preliminary and subject to change.

2012 freestanding Medicare margin is higher for:

- The two largest dialysis organizations than other facilities: 4.2% vs. 3.5%
- High-volume facilities - by quintile from lowest to highest volume:
-13.0%, -3.4%, 2.1%, 5.2%, 9.4%
- Facilities located in urban areas than rural areas: 4.7% vs. -0.08%

Data are preliminary and subject to change.

Projected Medicare margin

- 2014 projection: 2.9%
 - Payment updates per statute of 2.3% in 2013 and 2.8% in 2014
 - Increases from outlier policy change and other changes of 0.7% in 2013 and 0.6% in 2014
 - Per statute and regulation, rebasing of the base payment rate in 2014 of 3.3%
 - 0.29% reduction by QIP in 2013 and 2014

Data are preliminary and subject to change

Other issues with new PPS: Anemia quality measure

- For 2013 and beyond, ESRD Quality Incentive Program does not assess anemia under-treatment
- Changing pattern of anemia management
- Develop a quality measure that assesses anemia under-treatment

Other issues with new PPS: Low-volume adjustment

- For existing facilities as of 12/31/2010, distance to next facility is not considered for adjustment
- In 2012, nearly half of all low-volume facilities are within 5 miles of another facility
- Adjustment should focus on protecting facilities critical to beneficiary access
- Re-design the low-volume adjuster to consider the distance to the nearest facility

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

Other issues with new PPS: Accuracy of cost reports

- Appropriateness of cost data under the new PPS has not been examined
- If providers' costs are overstated, then the Medicare margin would be understated
- Assess the accuracy of dialysis facilities' cost reports