

Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray, Grace Oh

December 13, 2024

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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, 2023



FFS beneficiaries on dialysis 262,000



FFS dialysis treatments per beneficiary per week 2.8



Dialysis facilities 7,700

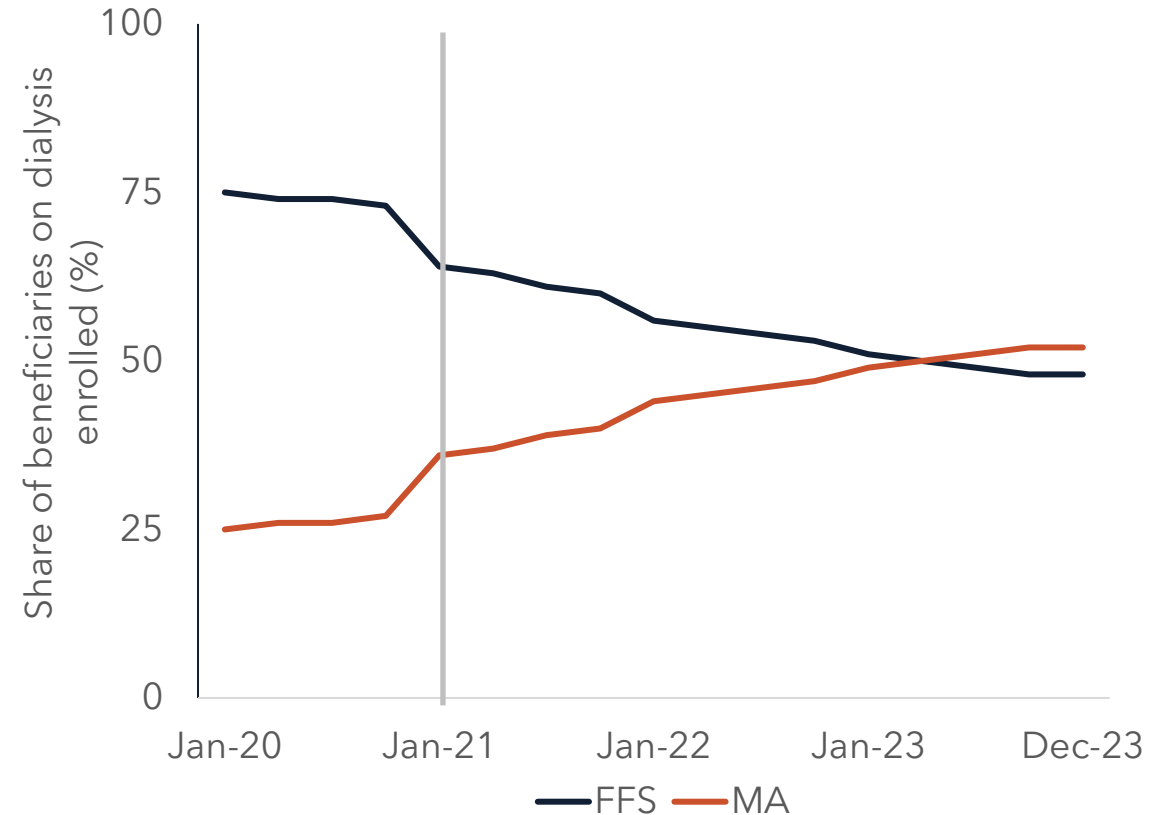


Medicare FFS outpatient dialysis spending \$8.1 billion

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.

The share of beneficiaries on dialysis enrolling in MA plans continued to increase between 2021 and 2023

- The 21st Century Cures Act permitted beneficiaries with ESRD to enroll in MA as of January 1, 2021
- From December 2020 through 2023, FFS enrollment declined from 73% to 48% and MA enrollment increased from 27% to 52%
- Increasing MA enrollment by beneficiaries on dialysis is likely linked to:
 - Availability of extra benefits
 - Lower cost-sharing liability



Note: ESRD (end-stage renal disease), MA (Medicare Advantage), FFS (fee-for-service).
Source: MedPAC analysis of CMS's enrollment files, outpatient dialysis claims, and risk score file.

Payment adequacy framework: Outpatient dialysis providers



Beneficiaries' access to care

- Capacity and supply
- Volume of services
- FFS Medicare marginal profit



Quality of care

- Dialysis adequacy and anemia management
- Use of inpatient hospital, emergency department services
- In-center hemodialysis patient experience
- Home dialysis
- 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: Dialysis capacity remained steady in 2023



Between 2022 and 2023, in-center capacity was steady

- Growth of in-center treatment stations (+0.3%) exceeded growth in the total number of Medicare beneficiaries on dialysis (–1%)



Factors linked to slowdown in capacity growth in 2023 compared to 2019-2022:

- Excess mortality due to the coronavirus pandemic
- Decline in the incidence rates of ESRD between 2012 and 2022
- Increased use of home dialysis

Note: ESRD (end-stage renal disease).

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.

Access: Outpatient dialysis facilities have a strong financial incentive to serve FFS beneficiaries



FFS Medicare marginal profit

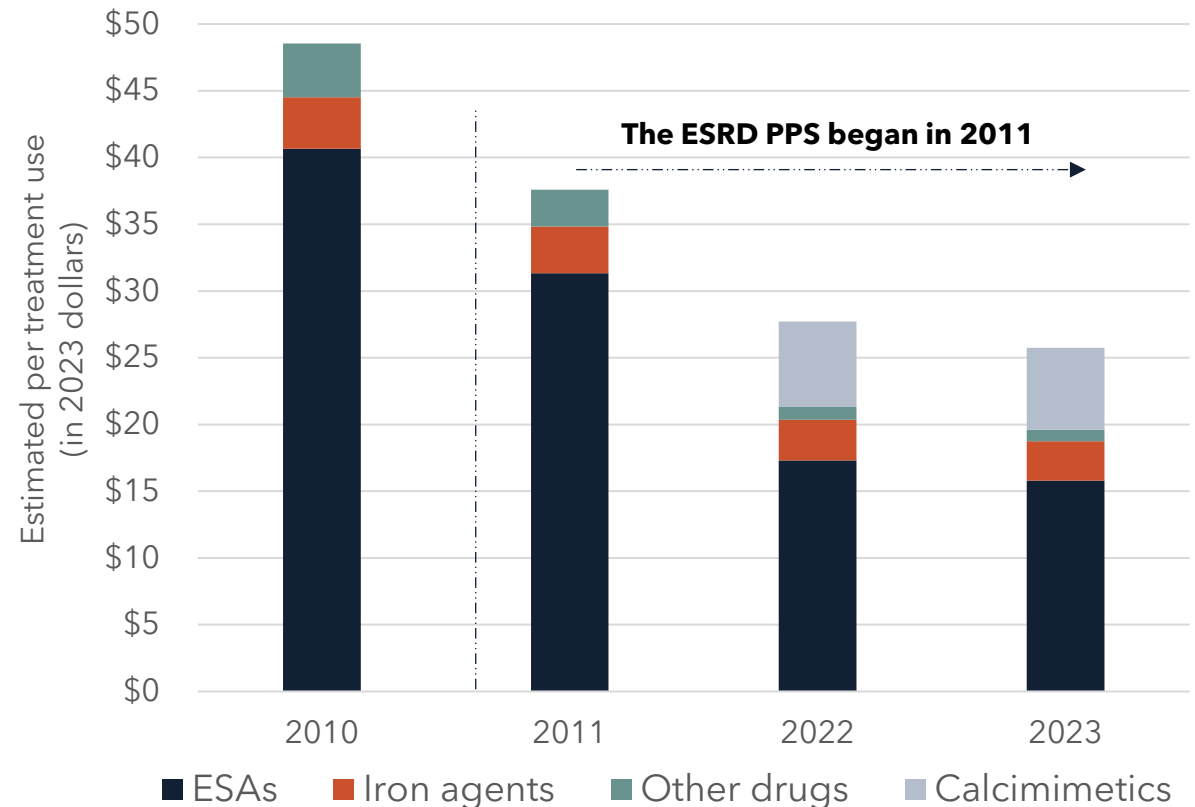
Note: FFS (fee-for-service).
Source: MedPAC analysis of CMS's freestanding cost reports and outpatient dialysis claims.

Declining use of ESRD drugs under PPS but no adverse 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 2023 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 held steady between 2022 and 2023

- Emergency department visits, admissions, readmissions, and mortality remain steady
- Anemia management measures examining hemoglobin levels and blood transfusion rates remain steady
- Percentage of FFS beneficiaries on dialysis meeting guidelines for dialysis adequacy remains high
- In-center hemodialysis patient experience remains steady
- Share of FFS beneficiaries dialyzing at home and number of kidney transplants continue to increase

Note: FFS (fee-for-service). The number of kidney transplants includes individuals across all types of health coverage.

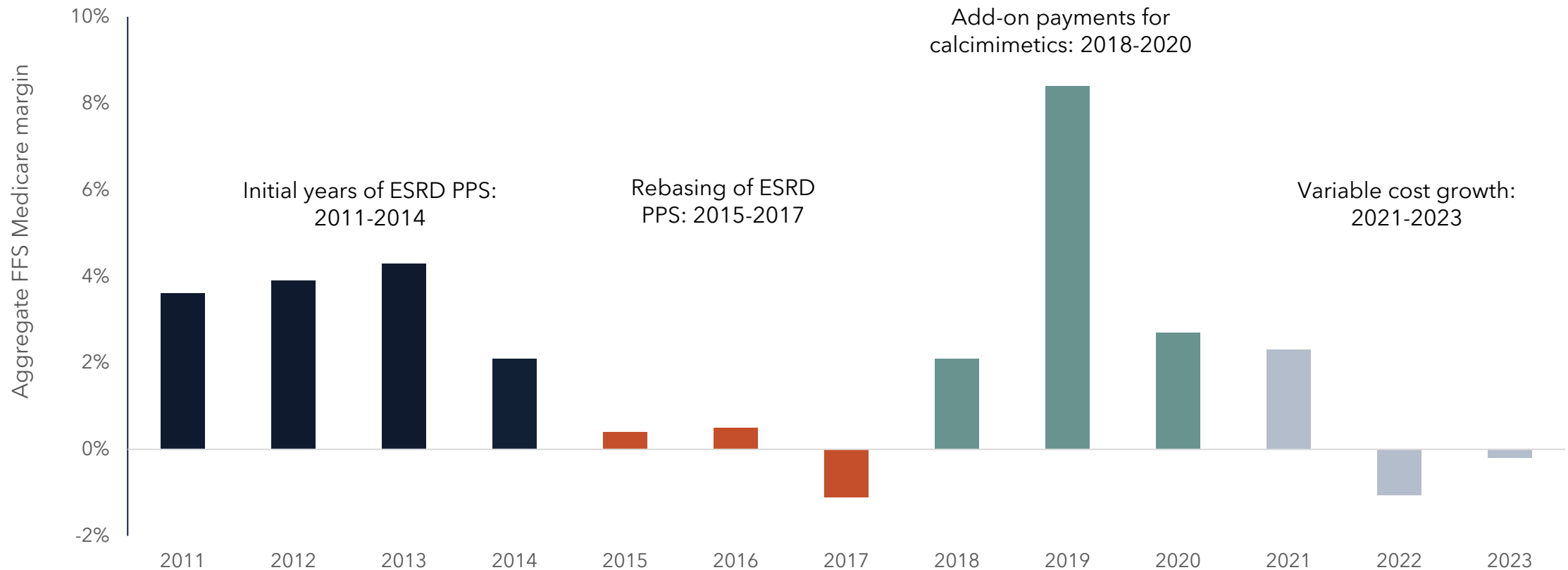
Source: MedPAC analysis of CMS's enrollment files, outpatient dialysis claims, freestanding outpatient dialysis cost reports, In-Center Hemodialysis Consumer Assessment of Healthcare Providers and Systems® data, and data from the Organ Procurement and Transplantation Network.

Access to capital remains good

- 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 2023, including improvements in productivity and earnings growth
- 2023 all-payer margin: 15%

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 2023



Note: FFS (fee-for service), ESRD (end-stage renal disease), 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, 2023

Type of freestanding dialysis facility	FFS Medicare margin	% freestanding dialysis facilities	% freestanding dialysis treatments
All	-0.2%	100%	100%
Urban	0.6	84	87
Rural	-4.4	16	13
By treatment volume:			
Lowest (quintiles)	-19.0	20	8
Second	-11.2	20	14
Third	-3.3	20	18
Fourth	1.6	20	24
Highest	7.5	20	37

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, 2025

-0.2%

2023 FFS Medicare margin



0%

2025 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 steady in 2023 as total number of Medicare beneficiaries on dialysis declined
- Positive FFS Medicare marginal profit

Positive



Quality of care

- In 2023, ED visits, admissions, readmissions, and mortality as well as patient experience remained steady for FFS beneficiaries on dialysis
- Increase in use of home dialysis for FFS beneficiaries on dialysis

Stable



Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance for 2024
- 2023 all-payer margin: 15%

Positive



FFS Medicare payments and costs

- 2023 FFS Medicare margin: -0.2%
- 2025 projected margin: 0%

Mixed

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



Chair's draft recommendation

Chair's draft recommendation

For calendar year (CY) 2026, the Congress should update the CY 2025 Medicare end-stage renal disease prospective payment system base rate by the amount determined under current law.

Implications

Spending: No effect on 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

Medicare Payment Advisory Commission

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