

Assessing payment adequacy and updating payments: outpatient dialysis services

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Overview of outpatient dialysis services, 2015

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: About 388,000
- Providers: About 6,500 facilities
- Medicare spending: \$11.2 billion

Source: MedPAC analysis of 2015 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.

Data are preliminary and subject to change.

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

Dialysis capacity continues to increase

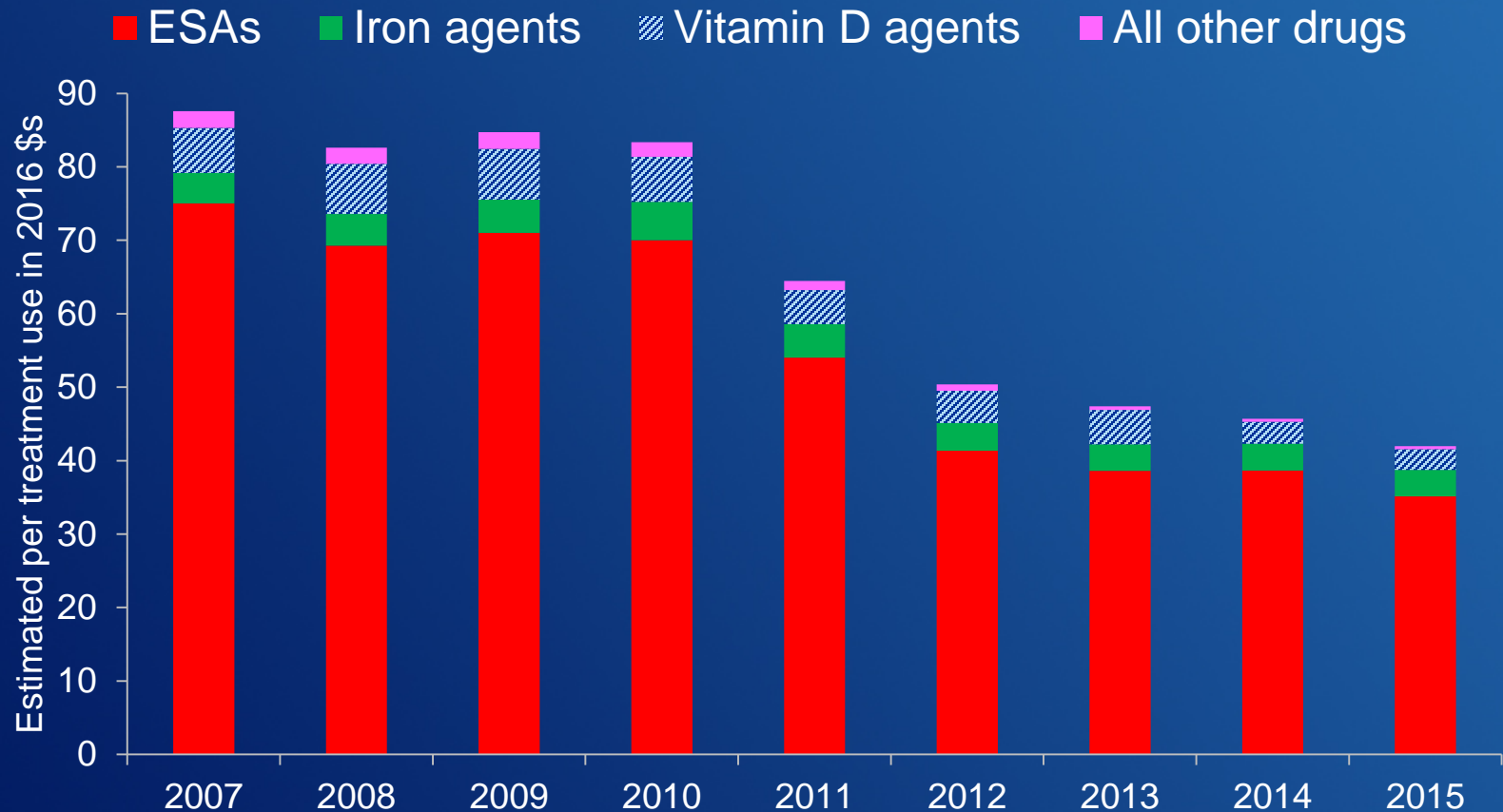
- Between 2014 and 2015, dialysis treatment stations increased by 2%; capacity growth exceeded beneficiary growth
- In 2015, net increase in number of facilities
- Few facilities closed in 2014; closed facilities were more likely to be smaller, nonprofit, and hospital-based compared to all facilities
- Analysis suggests that beneficiaries affected by closures received care at other facilities

Source: MedPAC analysis of 2010-2015 100 percent claims submitted by dialysis facilities to CMS.
Data are preliminary and subject to change.

Growth in beneficiaries and dialysis treatments

- Between 2014 and 2015, the total number of dialysis FFS beneficiaries increased by 1 percent and the total number of dialysis treatments increased by 0.4%
- Steady increase in average (non-annualized) treatments per beneficiary between 2009-2014; small decrease between 2014 and 2015

Use of dialysis drugs declined under the PPS



Note: Dollars per treatment calculated by multiplying drugs units reported on claims by 2016 average sales price. Drugs included are: epoetin alfa, epoetin beta, 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 2007-2015 100 percent claims submitted by dialysis facilities to CMS. Data are preliminary and subject to change.

Dialysis quality between 2011 and 2015

- Modest decrease in:
 - Mortality from 16% to 15%
 - Admissions per beneficiary from 1.7 to 1.5
 - Readmissions from 23% to 21%
- Home dialysis increase from 8.8% to 10.9%
- Percent of dialysis beneficiaries meeting guidelines for dialysis adequacy remains high

Source: MedPAC analysis of Medicare claims and enrollment data. Results are unadjusted for differences in patient characteristics over time period. 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
- Since 2011, two largest dialysis organizations have grown through acquisitions and mergers with mid-sized dialysis organizations and physician services organizations

2015 Medicare margin

Type of freestanding dialysis facility	Medicare margin	% of freestanding dialysis facilities	% of total freestanding dialysis treatments
All	0.4%	100%	100%
Urban	1.3	81	87
Rural	-5.1	19	13
Treatment volume (quintile)			
Lowest	-16.9	20	7
Second	-8.8	20	12
Third	-2.8	20	17
Fourth	2.3	20	24
Highest	6.5	20	39

- 2015 Marginal profit: 16.6%

Source: MedPAC analysis of 2015 freestanding dialysis cost reports and 2015 100 percent claims submitted by dialysis facilities to CMS.

Projected Medicare margin in 2017

- Payment factors considered:
 - Rebasing the base payment rate to account for lower drug use under the dialysis PPS
 - Protecting Access to Medicare Act of 2014 (PAMA) decreases the update to the 2016 and 2017 base payment rate by 1.25 percentage points
 - Net payment updates of 0.15% in 2016 and 0.55% in 2017
 - Regulatory changes that increase total payments by 0.18% in 2017
 - QIP reductions of total payments by 0.17% in 2016 and 0.13% in 2017

Data are preliminary and subject to change

Projected Medicare margin in 2017

- Cost factors considered:
 - Eliminating the cap on reporting medical director compensation on ESRD cost reports beginning in 2016
 - Appropriateness of cost report data under the PPS has not been examined; CMS audits are underway

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Policy changes in 2018

- Rebasing the base payment rate to account for lower drug use under the dialysis PPS
 - 2018 is final year of rebasing
 - PAMA decreases the update to the base payment rate by 1 percentage point
 - Net payment update in 2018 is currently estimated at 0.7%
- CMS projected a QIP reduction of total ESRD payments of 0.14%

Summary of payment adequacy

- Capacity is increasing
- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital is adequate
- 2015 Medicare margin: 0.4%
- 2015 Marginal profit: 16.6%

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