

# REIMBURSEMENT AND ITS IMPACT ON YOUR DIALYSIS PROGRAM

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# Agenda

- History of the Medicare ESRD Program
- Cost of Care for ESRD Patients
- Dialysis Providers Overview
- Reimbursement
- What May Be The Future

# History and Background on the Medicare ESRD Program



# Medicare ESRD Program History

- 1971 President Nixon proposed major amendments to the Social Security Act and discussions took place on allowing patients with ESRD to have access
- 1971 House Ways and Means Committee held hearing
- 1972 Senate Finance Committee retreat led to discussions using ESRD patients as a way to look at catastrophic health insurance.

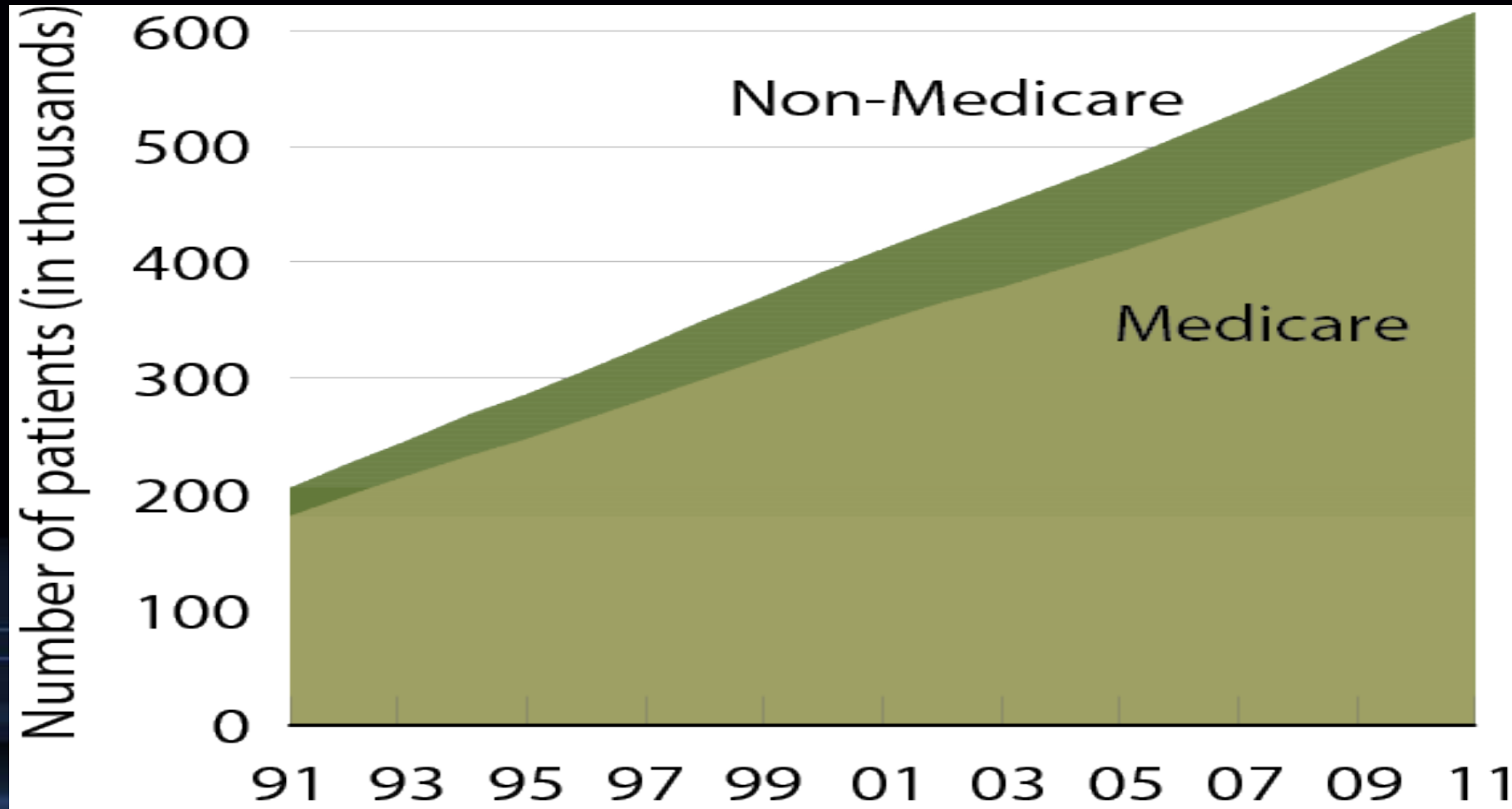
# Medicare ESRD Program History Continued

- President Nixon signed the bill on October 30<sup>th</sup> 1972
- Effective on July 1, 1973
  - Prior to that date many programs had committees that decide who would have access to this life extending therapy
  - Only time that solely based on a diagnosis that patients have access to Social Security Disability payments and Medicare Health Benefits

# Estimated numbers of point prevalent ESRD patients

Figure 11.3 (Volume 2)

December 31 point prevalent ESRD patients.

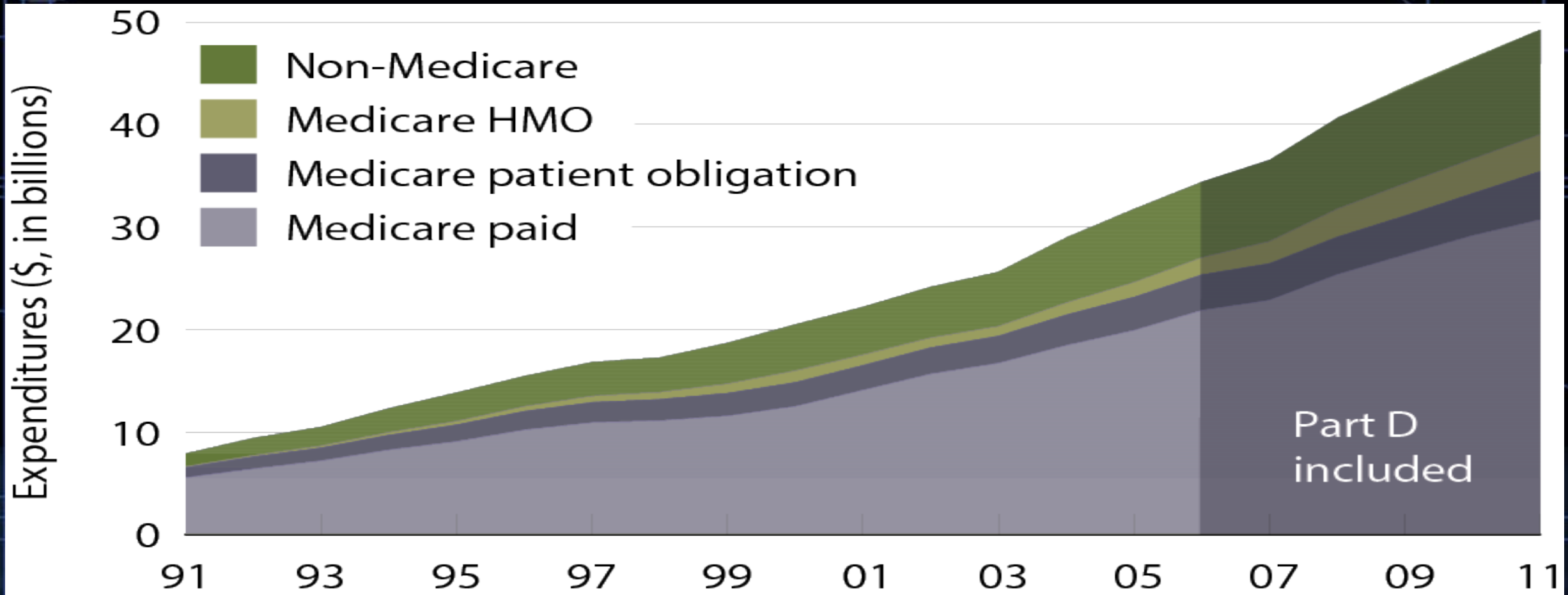


# THE HIGH COST OF CARE



# ESRD expenditures, by payor

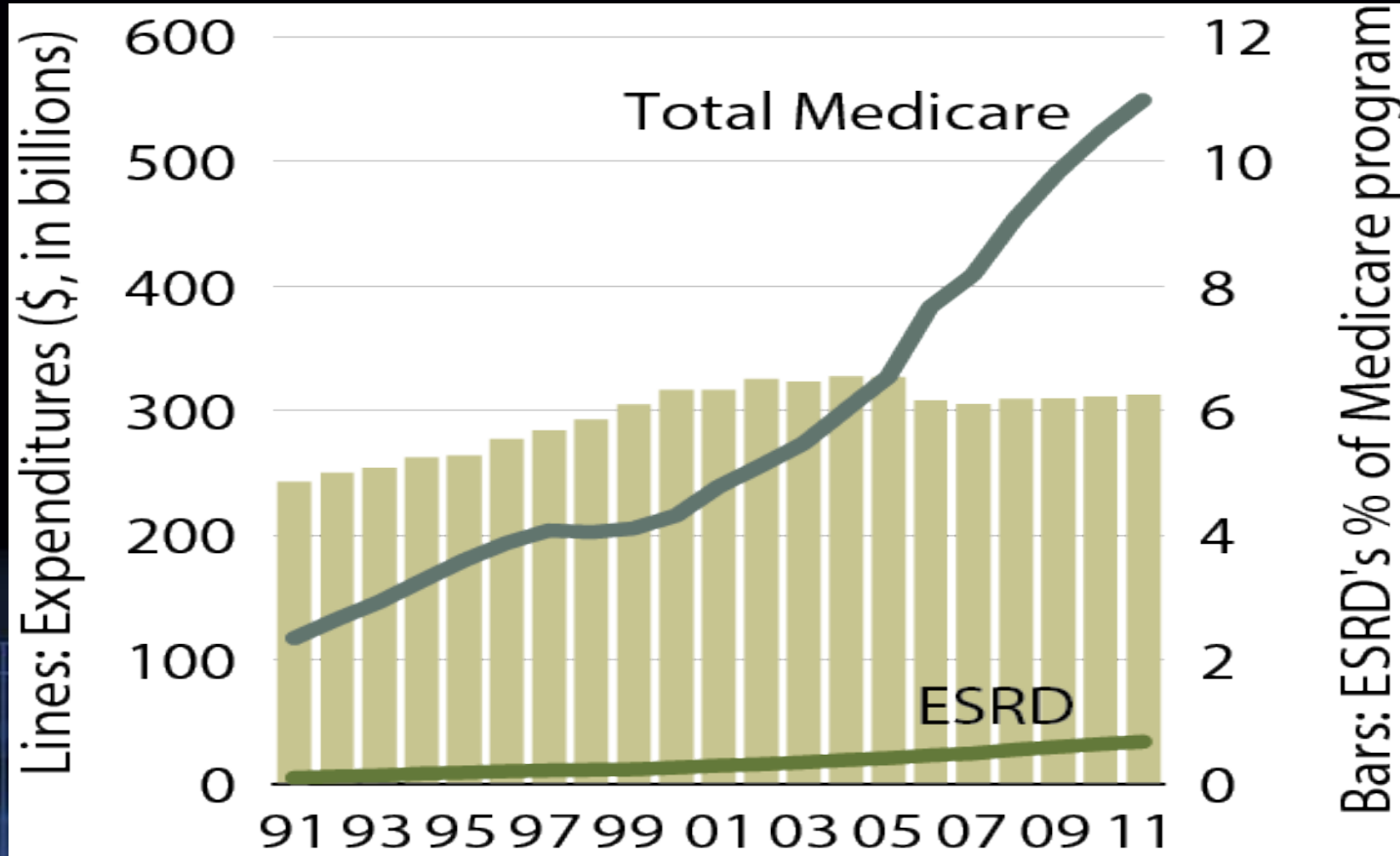
Figure 11.1 (Volume 2)



Part D  
included

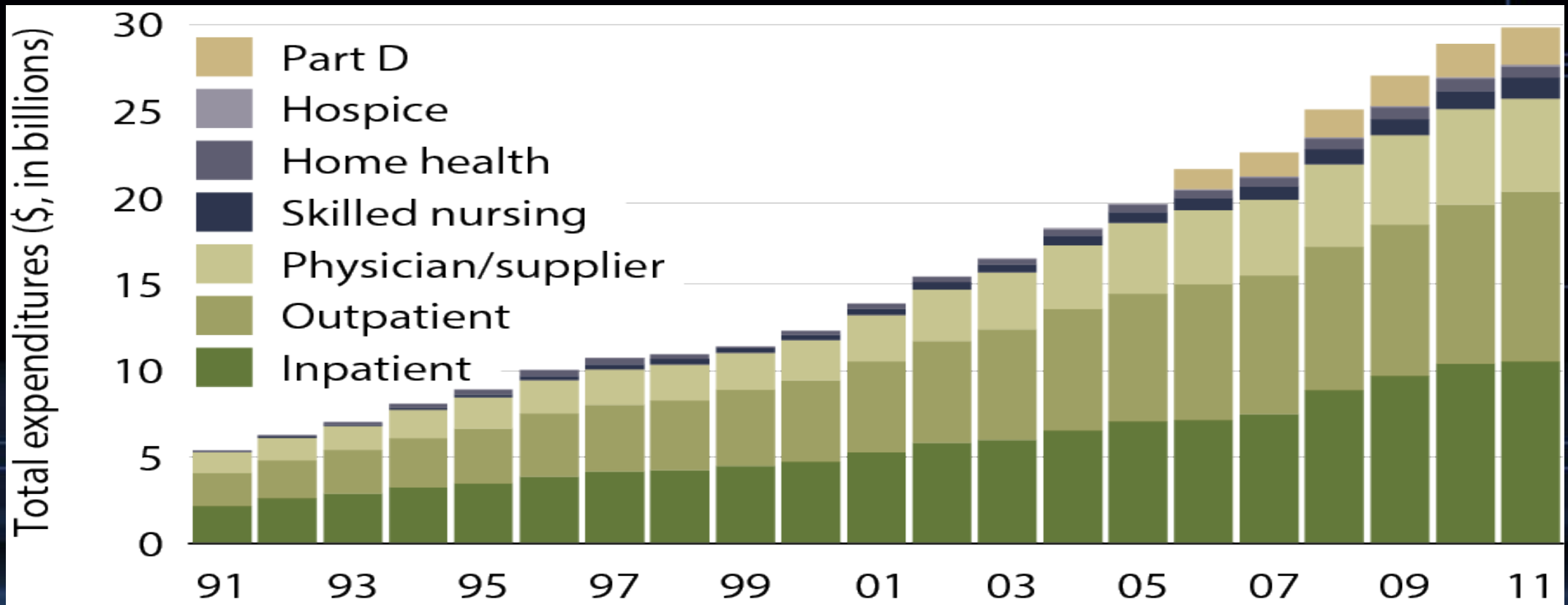
# Costs of the Medicare & ESRD programs

Figure 11.2 (Volume 2) Costs (inflated by 2 percent) include estimated costs for HMO & organ acquisition; includes Part D



# Total Medicare dollars spent on ESRD, by type of service

Figure 11.5 (Volume 2) Total Medicare costs from claims data; include all Medicare as primary payor claims as well as amounts paid by Medicare as secondary payor.

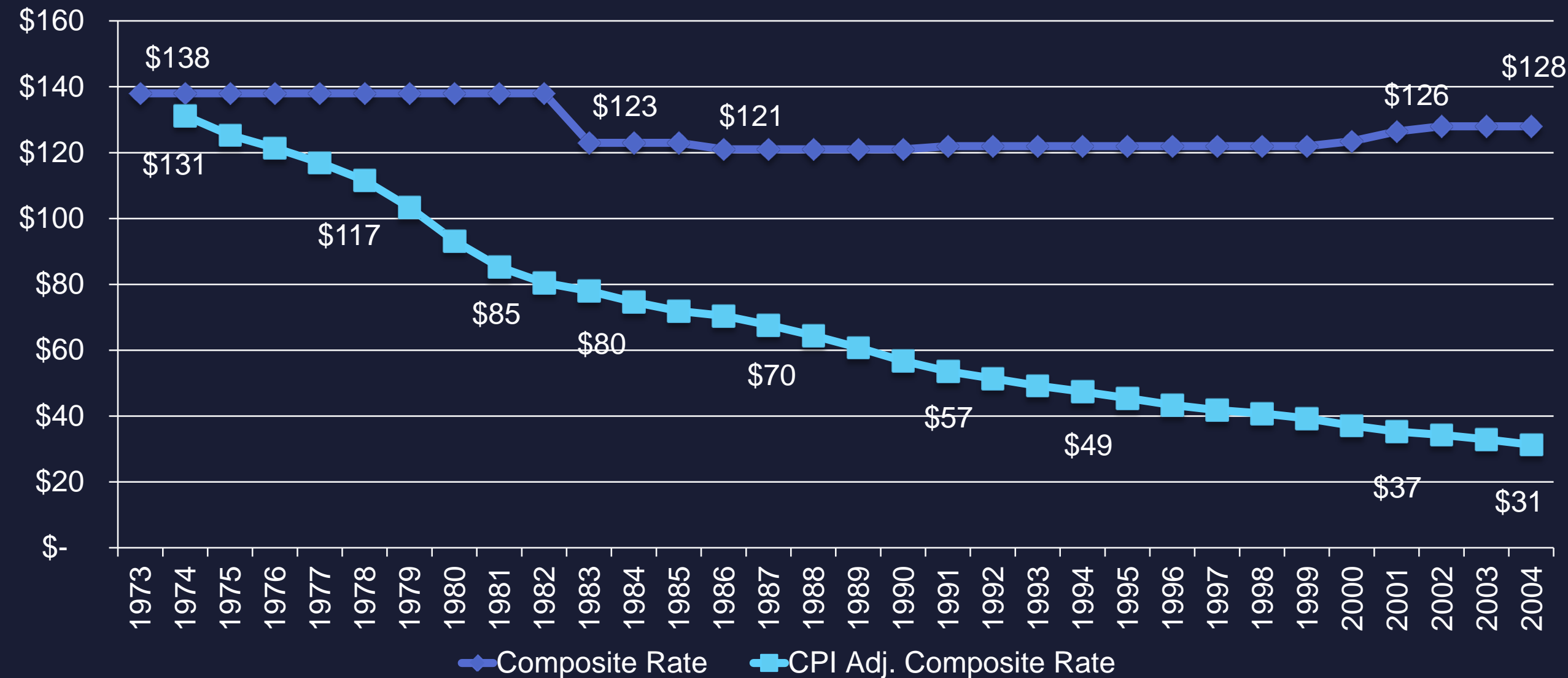


# Providers

# What did the ESRD Industry Look Like in it's Early Days

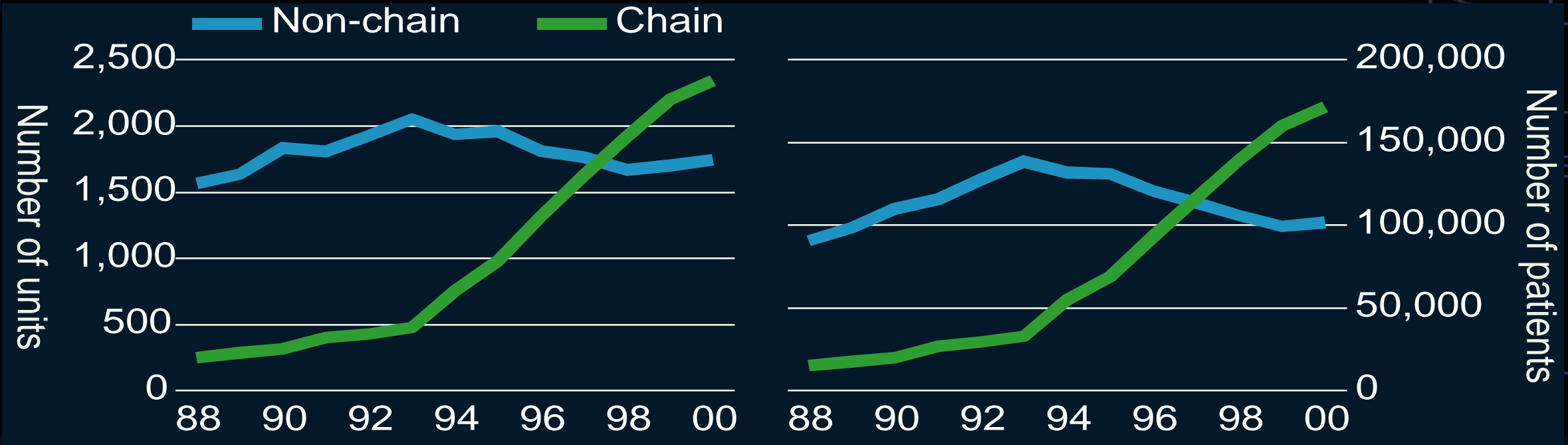
- 1970's – Mostly Hospital Based or Non-Profits
- 1980's – Growth of the For-Profit Providers and the Decline of Hospital Based Providers
- 1990's Continued Growth of the For-Profit Providers and Industry Consolidation
- 2000's Emergence of the “Mega” Providers

# Composite Rate and Consumer Price Index Inflation Impact



# Growth in chain-affiliated & non-affiliated units

figure 11.1



# Distribution of patients, by unit affiliation, 2011

Figure 10.1 (Volume 2) CMS Annual Facility Survey, 2011.

Large dialysis organizations (272,702 patients / 3,791 units)

SDOs (49,102 / 665)



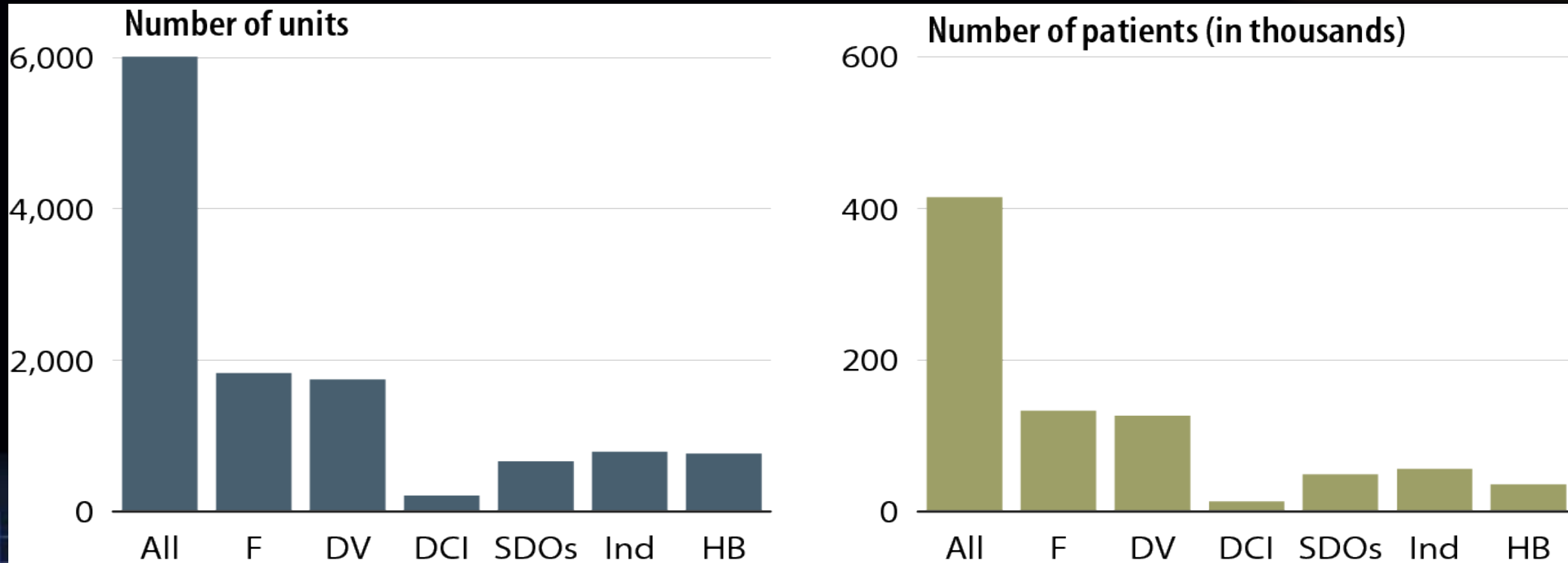


# Dialysis unit & patient counts, by unit affiliation, 2011

Figure 10.3 (Volume 2)

*unit affiliation*

All	All units
F	Fresenius
DV	DaVita
DCI	Dialysis Clinic, Inc.
SDOs	Small dialysis organizations (defined as 20–199 dialysis units; unit classification assigned by the USRDS)
Ind	Independent units
HB	Hospital-based units



# Reimbursement

# Composite Rate

1973 – 1983  
Bucket = Dialysis  
Treatment

Medication, O2, Cardiac  
Monitoring, Cardiac  
Arrest – all separate

Avg. Payment \$138

1983 - 2005  
Bucket = Dialysis  
Treatment + Dialysis  
Related Medications,  
O2, Cardiac Issues, 24  
Lab tests

Other labs and  
medications separate  
Avg. Payment \$123

2006 - 2010  
Bucket = Dialysis  
Treatment + Dialysis  
Related Medications,  
O2, Cardiac Issues, 24  
Lab tests, + Drug Add  
On & Case Mix Adj.

Other labs separate  
and medications at  
ASP+6%  
Avg. Payment \$169

2011  
Bucket = Dialysis  
Treatment + Dialysis  
Related Medications  
with Oral Equivalents,  
O2, Cardiac Issues, 77  
Lab tests, + Drug Add  
On, Case Mix Adj.

Other labs separate  
Avg. Payment \$269



# Payer Mix Impact

## Assumptions

- Medicare/Medicaid Rate \$260.00 per treatment
- Patient Insurance Mix:
  - 80% Patients are Medicare with secondary
  - 2% Patients Medicare with no secondary
  - 5% Patients Medicaid (pays 100% of Medicare Rates)
  - 12% Patients Commercial Insurance (paying at avg. \$625)
  - 1% No Insurance (no payment)

## Calculation

Medicare/Medicaid	$\$260.00 \times 85\% = \$221.00$
Medicare no secondary	$\$260.00 \times 2\% = \$ 5.20$
Commercial	$\$625.00 \times 12\% = \$ 75.00$
No Insurance	$\$000.00 \times 1\% = \underline{\underline{\$000.00}}$

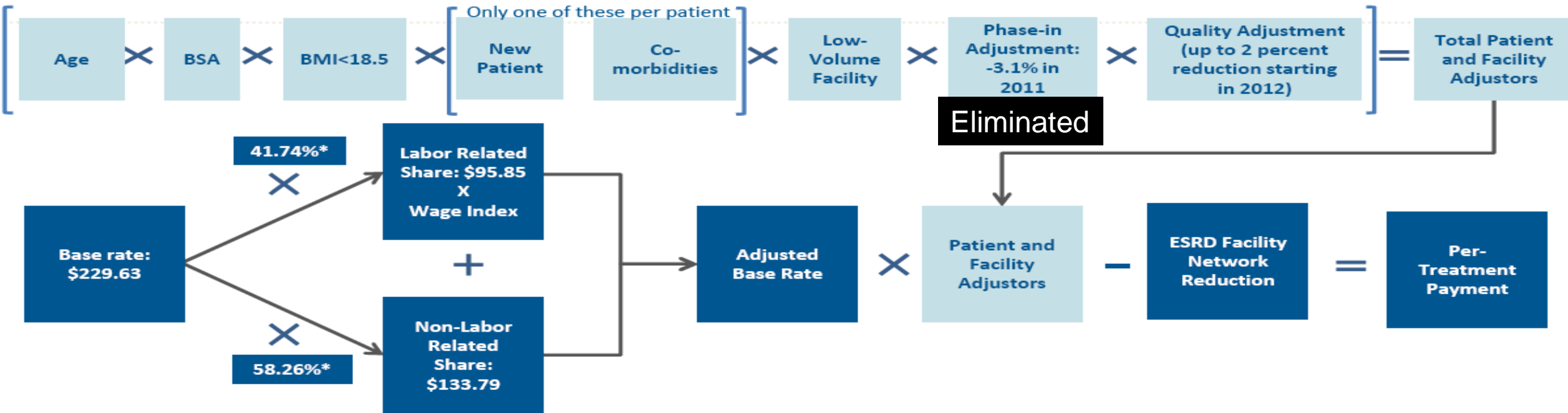
**Average Blended Reimbursement      \$301.20**

# Medicare Improvement for Patients and Providers Act (MIPPA)

- Took Effect on January 1, 2011
- Providers Options
- Payment per treatment
- All composite rate services as of December 31, 2010
- ESRD drugs and biologics that are currently paid separately and some that were paid under part D
- 53 Laboratory services currently administered for patients during dialysis treatments
- Home dialysis and \$33.44 training add on adjusted by the Wage Area Index – no more Method II
- Blood Products not included

# ESRD PPS Payment Algorithm

## Medicare Bundled Rate Per Treatment



### Example Patient:

- Mary, a 70-year-old dialysis patient, is of normal size and weight, and has been on dialysis for 6 years
- She has two qualifying co-morbidities: the highest-paying co-morbidity has an adjustor of 1.135
- Her total patient level adjustor is 1.111 (includes co-morbidity, age, and phase-in adjustment)
- Her facility has a wage index of 1.1 and does not qualify for the low-volume facility adjustment
- The facility meets all its quality measures, and does not receive a negative adjustment

### Per Treatment Payment Calculation in 2011:

- $[\$95.85 \times 1.1] + 133.79 = \$239.23 \times 1.111 - 0.50 = \$265.28$

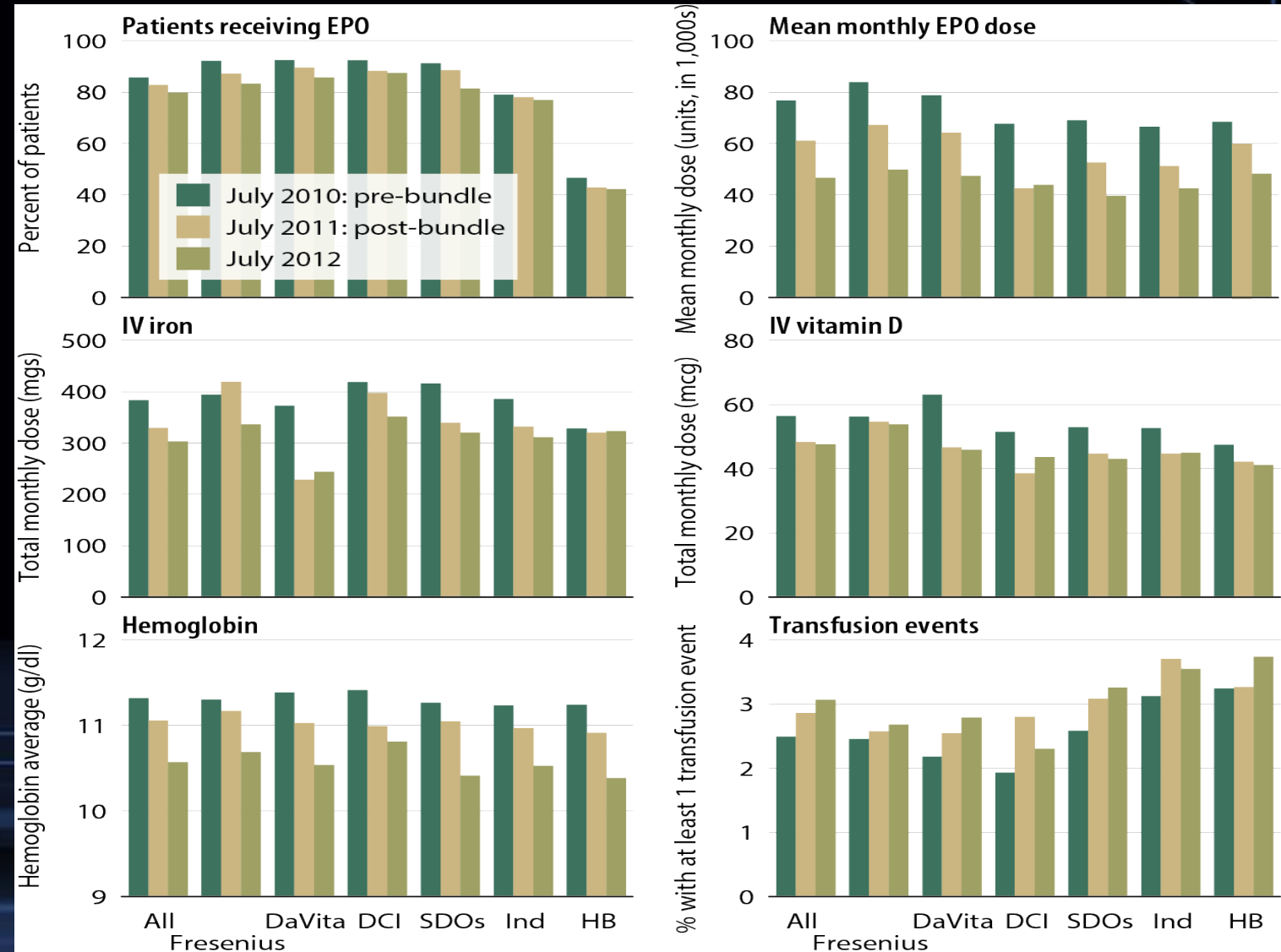
# Total monthly dose of anemia treatment therapeutics, hemoglobin levels, & transfusion events, pre- & post- dialysis bundle, by unit affiliation

Figure 10.7 (Volume 2)

*unit affiliation*

- All All units
- F Fresenius
- DV DaVita
- DCI Dialysis Clinic, Inc.
- SDOs Small dialysis organizations (defined as 20–199 dialysis units; unit classification assigned by the USRDS)
- Ind Independent units
- HB Hospital-based units

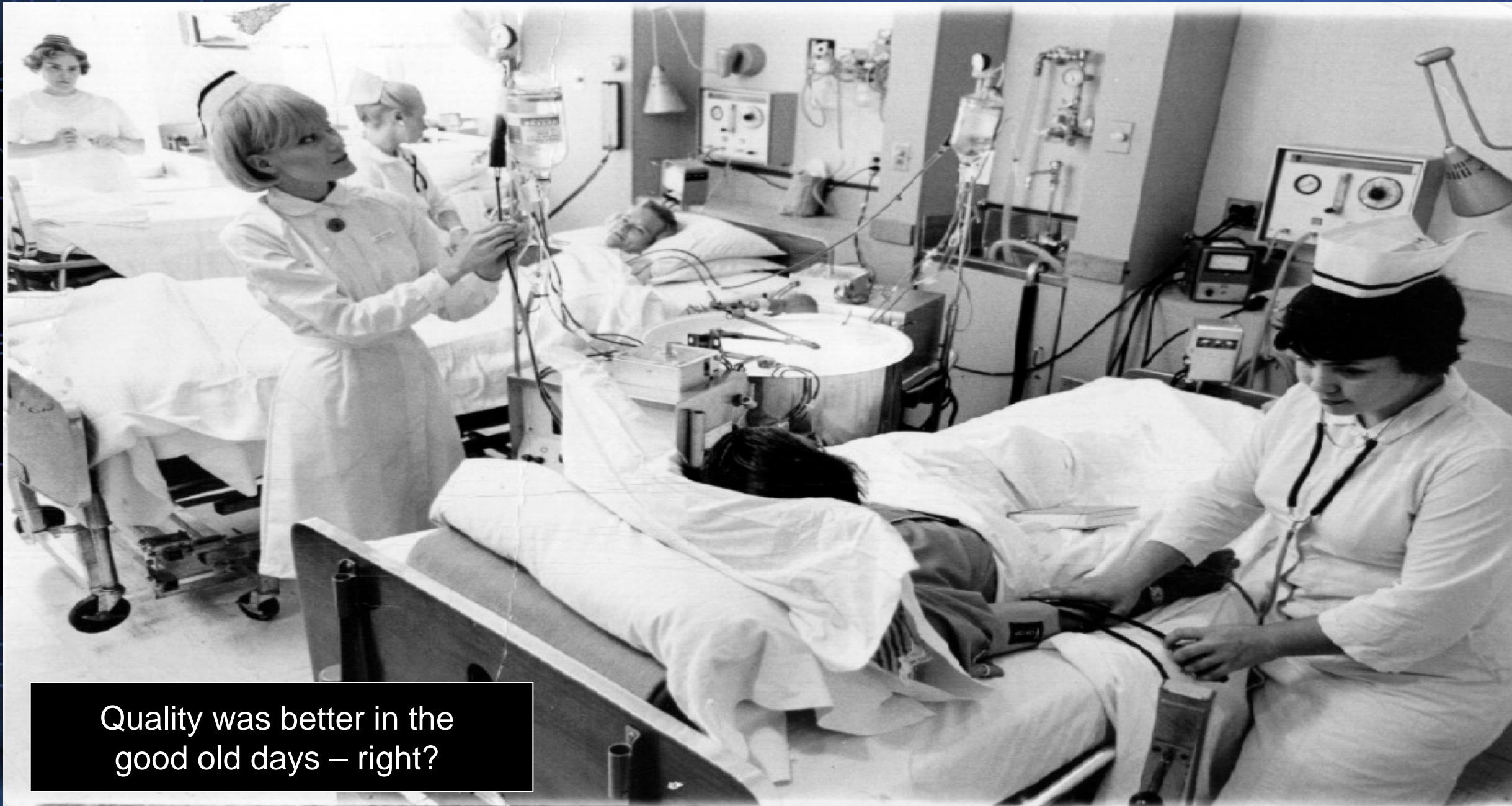
Point prevalent dialysis patients.



# Other Reimbursement Issues

- Cut backs on State Medicaid programs
- Employers decreasing or eliminating healthcare benefits
- Healthcare Reform
  - Exchanges
  - ACOs





Quality was better in the  
good old days – right?

# The ESRD Program and Quality

- Less than effective prior to the Kidney Disease Outcomes Quality Initiative (KDOQI)
  - Adequacy of Hemodialysis, Peritoneal Dialysis, Anemia Management & Vascular Access
- Medicare Dialysis Facility Compare – Adequacy, Mortality and Anemia Management
- 1994 – 2007 ESRD Clinical Measures Project – Adequacy, Vascular Access, Anemia Management and Albumin
  - Adequacy went from 43% to 93%

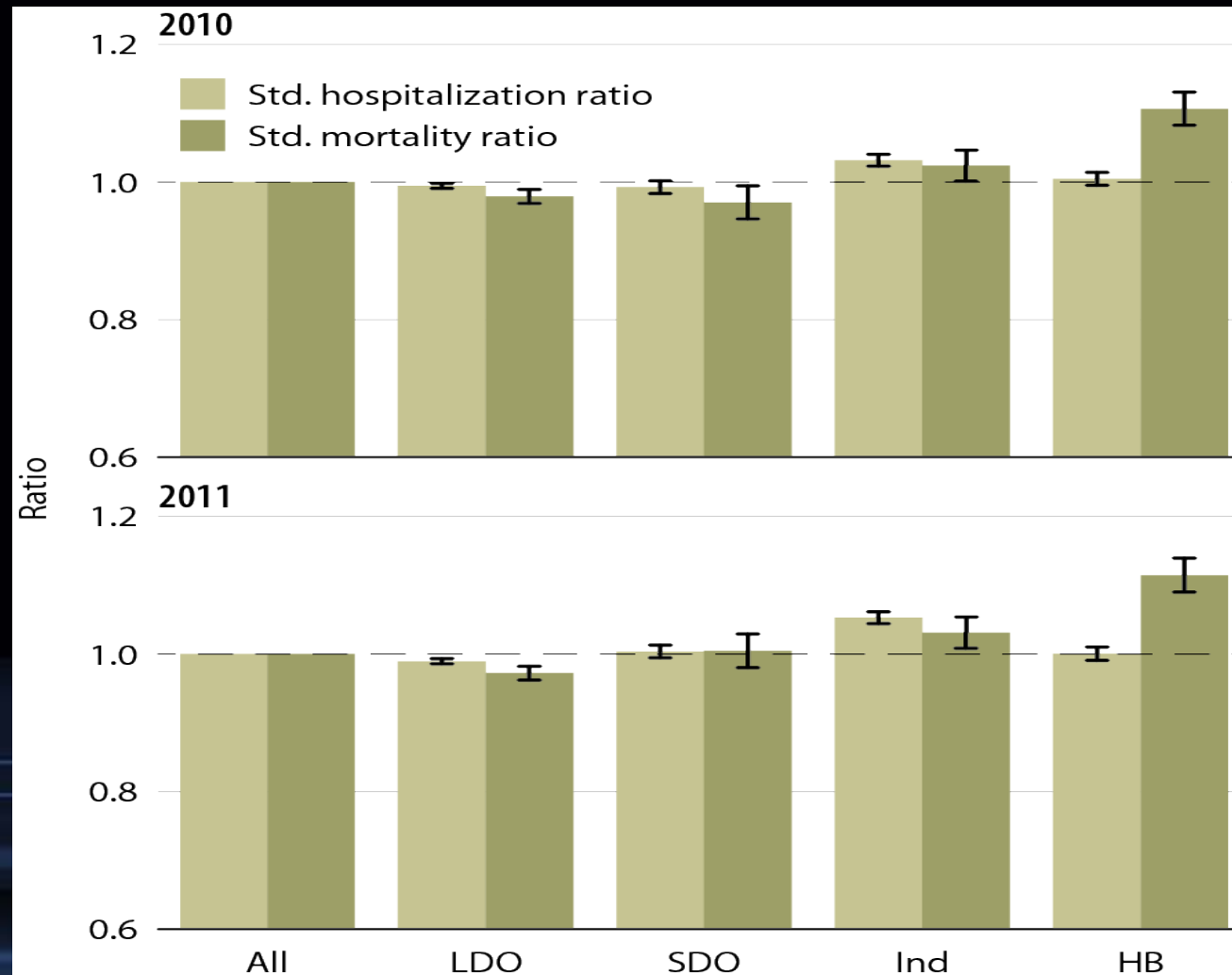
# Quality Incentive in the ESRD Bundled Reimbursement Program

- Reduction of up to 2% for following year
- 2012 less of the
  - Provider/facility average results from 2008 claims data or
  - National average results from 2008 claims data
- Anemia
  - % less than 10
  - % greater than 12
- Adequacy % greater than 65%
- Weighted by 30 point system; examples 30 points 0% reduction, 20-22 points 0.5% reduction, 4-6 points 1.5% reduction
- 2013
  - Percentage of Patients whose hemoglobin > 12 g/dl
  - Percentage of Patients whose URR >= 65%

# All-cause standardized hospitalization & mortality ratios, by unit affiliation, 2010 & 2011

Figure 10.9 (Volume 2)

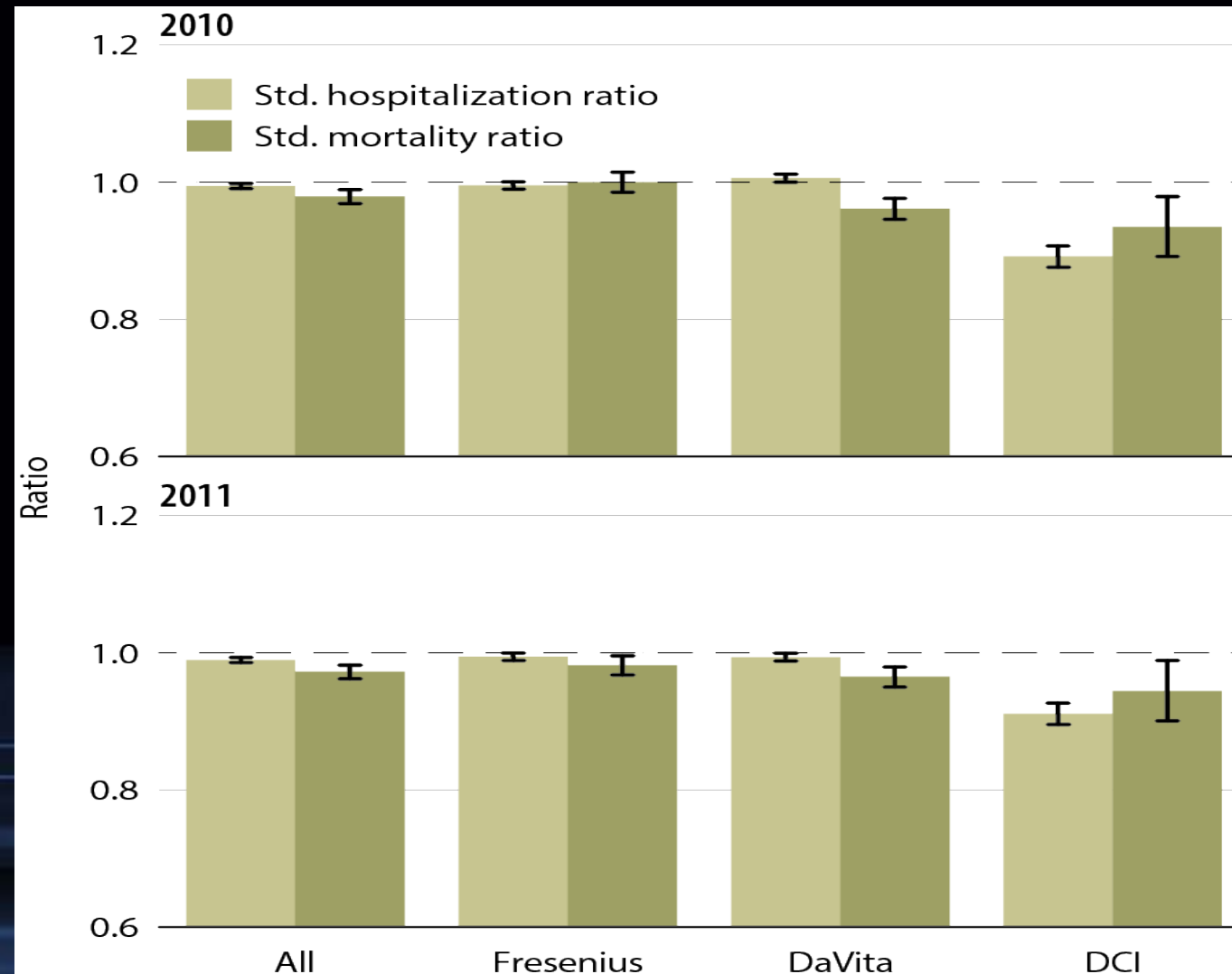
January 1 point prevalent hemodialysis patients with Medicare as primary payor (SHRs); January 1 point prevalent hemodialysis patients (SMRS). SHRS & SMRS are calculated based on national hospitalization & death rates; adjusted for age, gender, race, & dialysis vintage.



# All-cause standardized hospitalization & mortality ratios in large dialysis organizations, 2010 & 2011

Figure 10.10 (Volume 2)

January 1 point prevalent hemodialysis patients with Medicare as primary payor (SHRs); January 1 point prevalent hemodialysis patients (SMRS). SHRS & SMRS are calculated based on national hospitalization & death rates; adjusted for age, gender, race, & dialysis vintage.



# Future - Consolidation

- The 2 Large Dialysis Organizations will grow slower with minimum acquisitions due to FTC concerns
  - Some focus on purchasing small providers
- Medium Size Dialysis Organizations will grow through consolidation and same store growth
  - Most focus on Joint Venture with Nephrologists
- Small, independent and hospital based programs will continue but struggle to maintain under tight reimbursement constraints and increasing costs

# Future - Opportunities

- Patient focused
- Support home dialysis growth
  - Patient Rehabilitation
  - Improved Outcomes including lower hospitalization and improved mortality
  - Better financially for the program
- Prevention and early intervention
  - Healthier patients
- Opportunities to partner with other organizations such as hospitals - ACO

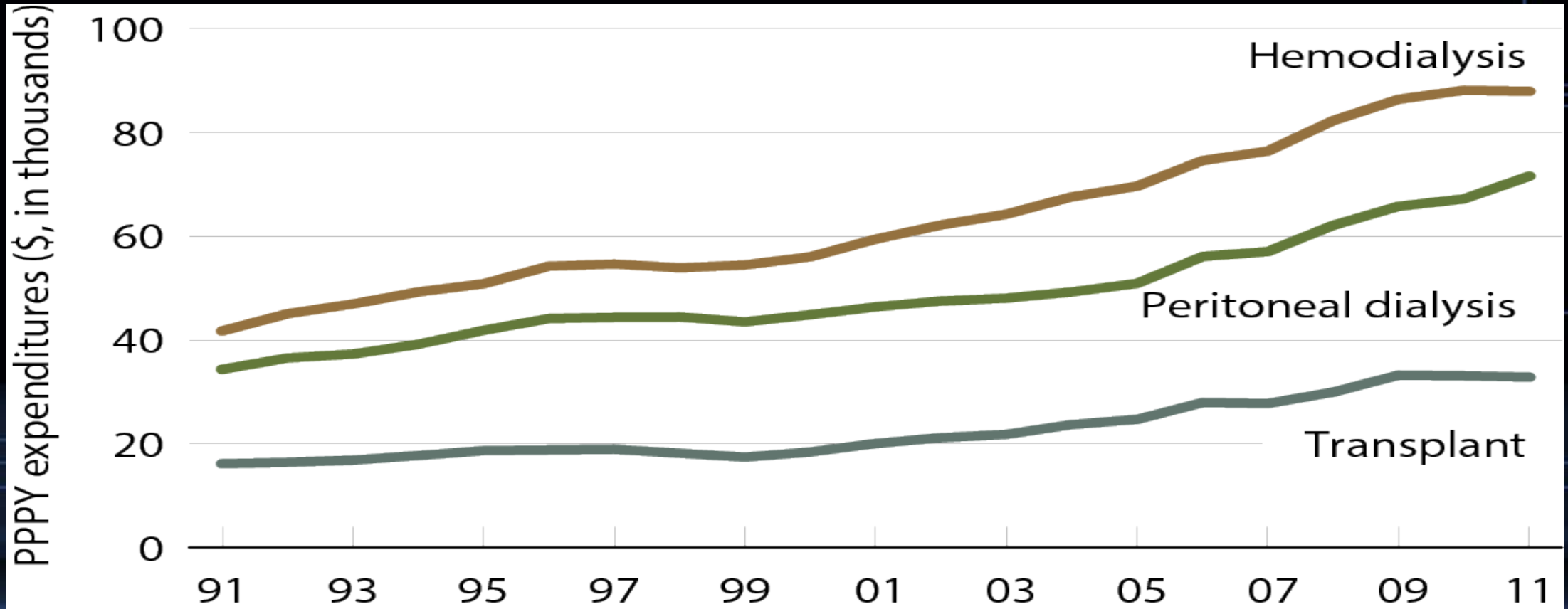
# Home Therapies and Transplantation Focus



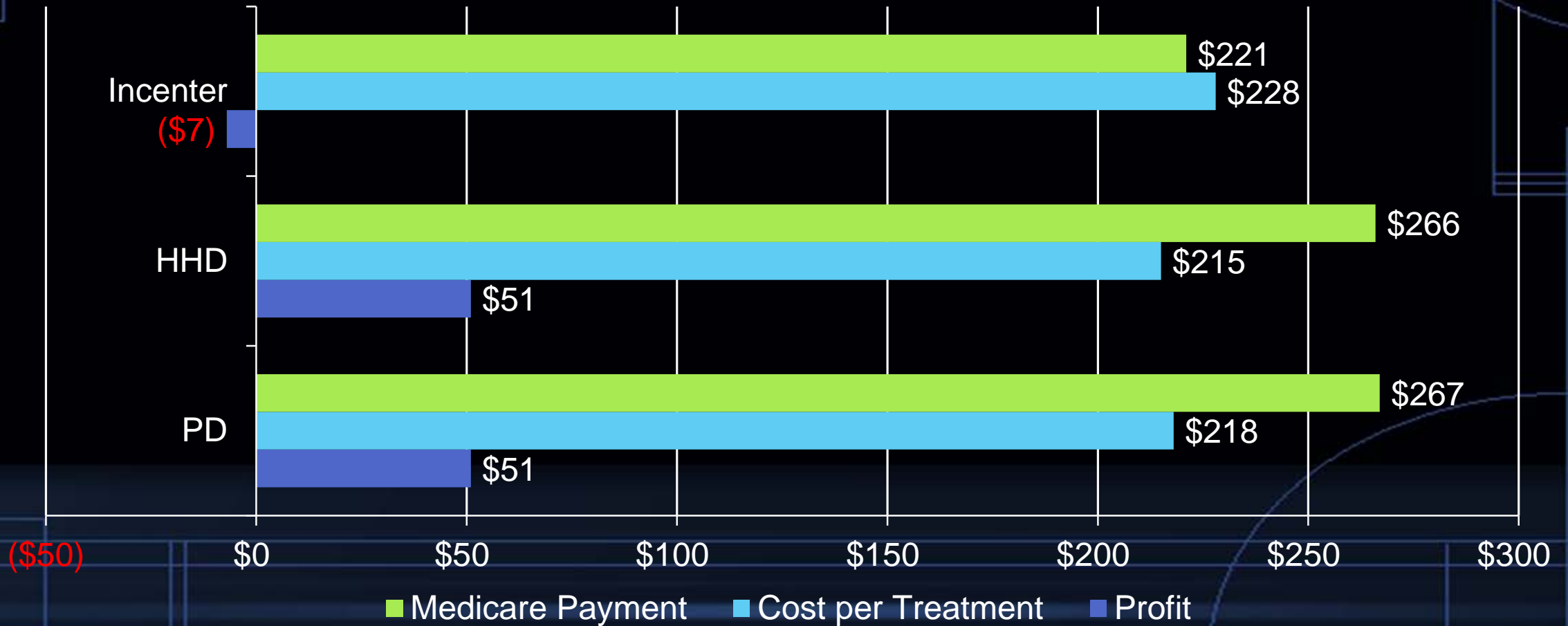
# Total Medicare ESRD expenditures per person per year, by modality

Figure 11.7 (Volume 2)

Period prevalent ESRD patients; patients with Medicare as secondary payor are excluded.



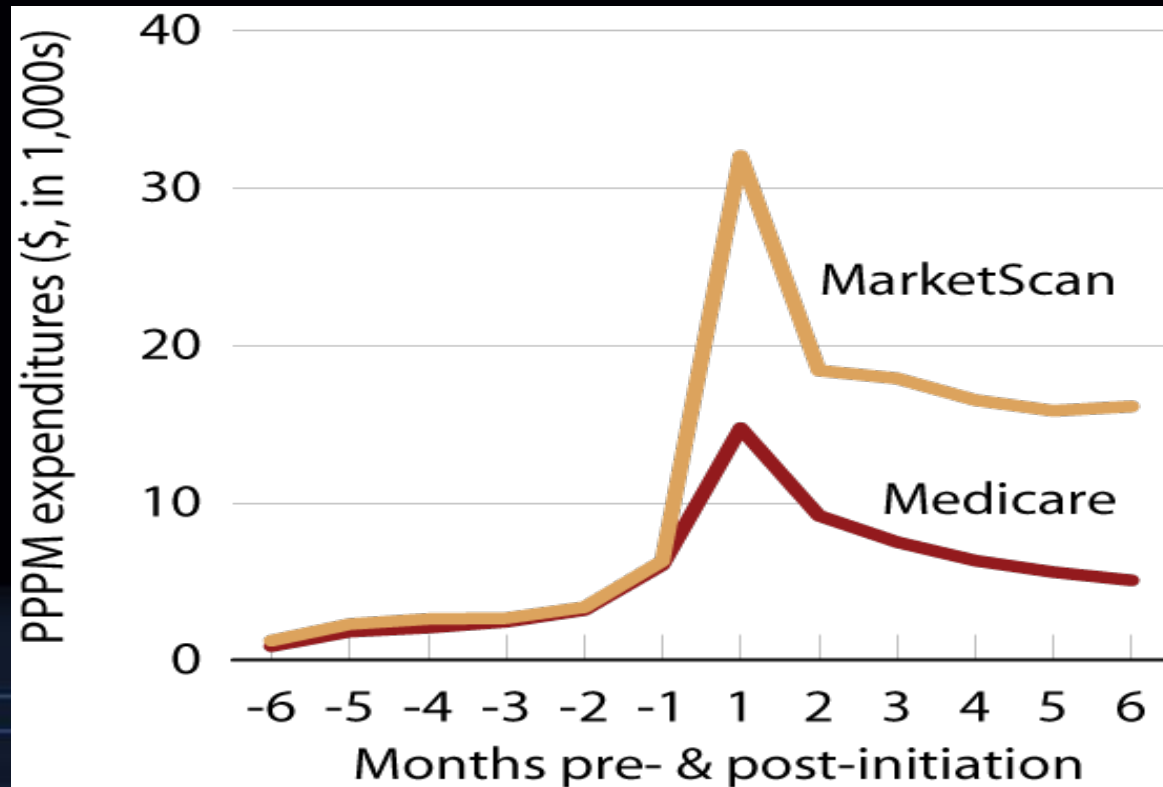
# Average Profit/Loss per Treatment under the ESRD PPS in 2011



source NRAA Benchmarking Report 2009 & 2011

# Total per person per month costs in the transition to ESRD

Figure 11.8 (Volume 2)



Medicare: patients 67 years & older, initiating in 2006, with Medicare as primary payor. MarketScan: ESRD patients age <65, initiating in 2006.

# Dialysis Clinic, Inc. (DCI)

- Founded in 1971
- Non-Profit Provider
- 200+ Dialysis Clinics in 27 states
- Operate 3 organ procurement agencies – Tennessee, New Mexico and Northern California

# DCI pilot project

- Nurse educator for groups and 1:1
- 400 patients followed
- CKD stages 1-5
- Help patients navigate through system
- 28% of new starts have received choices education

# DCI Attendees versus Non-attendees

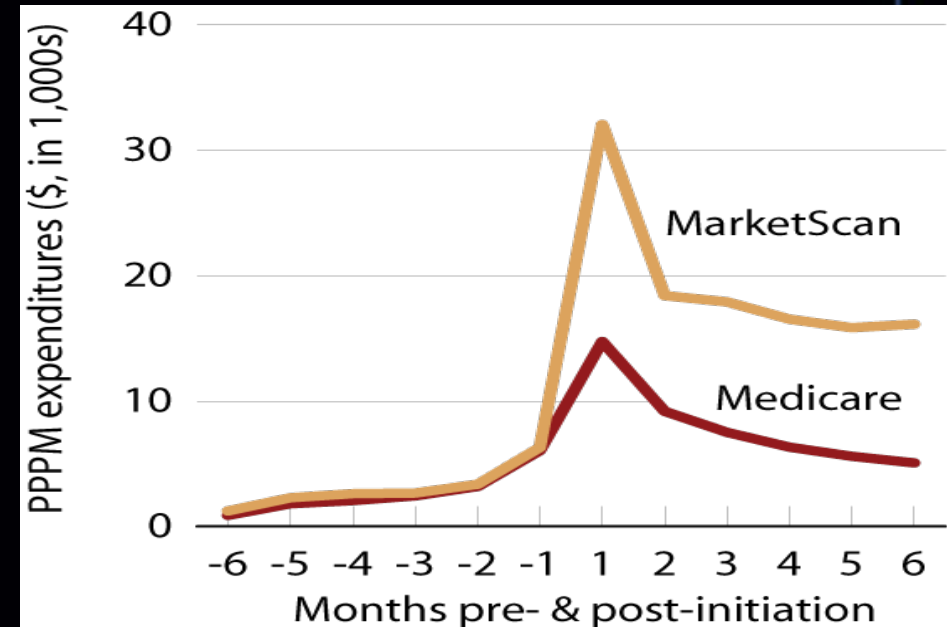
How patients start	All-Provider	CKD Attendees	Non-Attendees
All patients	125	35	90
Fistula in Place	28%	71%	18%
Fistula used 1 <sup>st</sup> Treatment	9%	29%	5%
Peritoneal Dialysis	13%	40%	2%

# Potential Savings for Integrated Care

- Medical Management without dialysis
- Delayed start of dialysis
- Avoid “crash” of hospitalization at onset of dialysis
- Increase transplantation
- Increase home dialysis patients
- Increase patients with a permanent access at start of dialysis

# Example of Savings: Delay Start of Dialysis

- 6 months prior to start = \$945 per month
- 5 Months average cost prior to start = \$3414
- First month of dialysis \$14,956
- Average cost of the next 5 months = \$8017 per month



Total per person per month costs in the transition to ESRD

Figure 11.8 (Volume 2)



# Potential Savings

(USRDS 2011 & 2012)

- Incenter Hemodialysis annual costs \$87,561
- Home Peritoneal Dialysis annual cost = \$66,751 (savings \$20,810 over incenter hemodialysis)
- Fistula annual cost = \$64,701 (savings \$25,409)
- AV Graft annual cost = \$79,337 (savings \$10,773)
- Transplant annual cost = \$32,914 (savings \$54,641)

# Questions