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 30th 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

Period prevalent ESRD patients; includes Part D.
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
Growth in chain-affiliated & non-affiliated units

**Figure 11.1**

![Graph showing growth in chain-affiliated and non-affiliated units](image_url)
Distribution of patients, by unit affiliation, 2011

Figure 10.1 (Volume 2) CMS Annual Facility Survey, 2011.
Dialysis unit & patient counts, by unit affiliation, 2011

Figure 10.3 (Volume 2)

CMS Annual Facility Survey.
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 X 85% = $221.00
- Medicare no secondary: $260.00 X 2% = $5.20
- Commercial: $625.00 X 12% = $75.00
- No Insurance: $000.00 X 1% = $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**

<table>
<thead>
<tr>
<th>Age</th>
<th>BSA</th>
<th>BMI&lt;18.5</th>
<th>New Patient</th>
<th>Comorbidities</th>
<th>Low-Volume Facility</th>
<th>Phase-in Adjustment: -3.1% in 2011</th>
<th>Quality Adjustment (up to 2 percent reduction starting in 2012)</th>
<th>Total Patient and Facility Adjustors</th>
</tr>
</thead>
</table>

- **Base rate:** $229.63
- **Labor Related Share:** $95.85 × Wage Index
- **Non-Labor Related Share:** $133.79
- **Adjusted Base Rate** × Patient and Facility Adjustors
- **ESRD Facility Network Reduction**

**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)

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
  - 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)

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

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