The Future of Dialysis

Larry Jones
Dialysis Industry Changes

- ESRD Funding 1972
- Medicare Composite Rate 1977

Clinical Changes Late 80’s
- Volumetric dialysis machines
- High flux dialysis
- KT/V
- Epogen

- Conditions for Coverage 2007
- Medicare PPS (Bundle) 2010
Dialysis Challenge

• Do More
• Do It Better
• Do It For Less
Dialysis Challenge

**Do More**
- Conditions for Coverage
- Technician certification
- Fire Life Safety codes

**Do It Better**
- Aging patient population
- Nursing Shortage
- QIP
- Fistula First
- Dialysis Facility Compare
- Dialysis Facility Report

**Do It For Less**
- Medicare reimbursement is flat/declining
- Medicaid cuts
- Payor mix decline/contract pricing pressure
- Supply chain price increases
Medicare Reimbursement Adjusted for Inflation

1974 dollars adjusted using U.S. Bureau of Labor and Statistics CPI for Medical Care

Relative Value

Actual Reimbursement

$1,500.00

$1,311.36

$500.00

$100.00

$0.00


$1,500.00

$1,000.00

$500.00

$0.00

$143.72

$1311.36
Current and Future Factors

- Consolidation
- New Payment System
- Home Therapies
- New Medications
- Quality

Providers
Consolidation

- LDO’s need growth but may be prohibited from purchasing additional MDO’s due to Federal Trade Commission restrictions
  - Vertically integrated:
    - Supplies & equipment, lab, etc
    - Access centers
    - Accountable Care Organizations
    - International growth
- MDO’s will continue to grow as a market segment
  - Will a couple of the MDO’s get together to form a strong number 3 provider
    - Courted but never married (except Liberty / RAI)
- Independent Dialysis Centers
  - There will always has a place in the industry but to a lesser extent
Consolidation Musical Chairs

DaVita / Gambro

RAI - Liberty

Dialysis Newco, Inc
d/b/a/ DSI

Fresenius / RCG

DSI
Payment Methodology Changes

- Medicare Prospective Payment System (PPS) or “the Bundle”
  - Changed the way providers look at the operations
  - We now have an “allowance”
  - 2011 was a transition year
  - 2012 provided a 1.8% increase to the Bundle
  - CMS has the ability to re-based the Bundle amount downward
  - Commercial insurance plans are seeking a bundle rate
- The inclusion of certain oral medications is the next big challenge the industry faces
- Accountable Care Organizations
  - The holistic look at the delivery of care and costs
Quality

- Quality Incentive Plan (QIP)
  - First area of Medicare to be paid based upon clinical outcomes
    - “Payment for quality healthcare is no longer the payment system of the future; it’s the payment system of today.” - CMS
    - “The ESRD QIP is the leading edge of payment reform and can serve as an example to the healthcare system.” - CMS
  - Penalty for lack of performance; up to 2% of Medicare reimbursement

- 2012 Clinical Measures: 90% weighting
  - HgB>12 g/dL
  - URR> 65%, Vascular access type

- 2012 Reporting Measures: 10% weighting
  - NHSN
  - ICH CAHPS
  - Mineral metabolism
New Medications

- ESA’s:
  - Peginestatide
  - Micera
  - Generics

- Oral Medications under the Bundle
  - Effective January 2014 dialysis providers must provide ESRD patients certain oral medications. They are primarily phosphate binders and Sensipar.
  - Great deal of concern about adequate reimbursement due to the fact the initial proposed regulations only provided $14/treatment.
    - G.A.O. study concluded that if funding is not set properly patient care will suffer.
  - State pharmacy laws
  - Proper quantity and frequency to dispense to patients
Home Therapies

- The Bundle has increased the interest in home dialysis therapies
  - By CMS reimbursing home therapies at the same rate of as in-center hemodialysis CMS appears to be economics to help shift providers towards home therapies
    - Many believe that a well run home program has fewer costs than a traditional in-center program
  - Providers should offer a range of therapies to meet the needs of patients and physicians
  - I expect there to be an increase in manufacturer’s home dialysis equipment and technologies in the near future
Change

“I want you to find a bold and innovative way to do everything exactly the same way it’s been done for 25 years.”
Navigating the Future