



End-Stage Renal Disease Prospective Payment System (PPS)



Agenda

- ◆ Today's presentation will include:
 - Features of the final ESRD PPS, including the:
 - Composition of the bundle and unit of payment;
 - Bundled base rate;
 - Market basket;
 - Patient-level adjustments;
 - Pediatric payment model;
 - Facility-level adjustments; and
 - Outlier policy.
 - Key implementation issues.

The ESRD PPS Payment Bundle

1. Composite rate services;
 2. ESAs (and their oral forms) used to treat ESRD;
 3. Other drugs and biologicals used to treat ESRD (including oral forms) and for which separate payment was made under Title XVIII of the Act; and
 4. Lab tests and other items and services used to treat ESRD.
- ◆ Although the ESRD PPS bundle includes oral drugs with no injectable form, CMS is delaying implementation until January 1, 2014
 - ◆ Per treatment unit of payment

§1881(b)(14)(B)(i-iv) of the Act
75 FR 49036

Data Sources – Case-Mix Analysis

- ◆ Composite rate services
 - Medicare cost reports from hospital-based ESRD outpatient dialysis providers and independent ESRD facilities for CYs 2006 – 2008
- ◆ Separately billable services
 - Outpatient institutional claims and carrier claims for CYs 2006 – 2008
- ◆ Drugs currently covered under Part D
 - Part D claims for CY 2007

75 FR 49064

Data Sources - Case-Mix Analysis (cont.)

◆ Patient Characteristics

- Form 2728 - Medicare Evidence Report
- REMIS - Renal Management Information System
- EDB - Enrollment Database
- SIMS - ESRD Standard Information Management System

◆ Facility Characteristics

- SIMS
- Cost Reports
- OSCAR - Online State Certification and Reporting System

Unadjusted Base Rate

- ◆ Based on average 2007 Medicare claims payments including:
 - Composite rate services;
 - Support services for Method II patients;
 - Dialysis support services;
 - Part B drugs/biologicals;
 - Laboratory tests;
 - DME equipment/supplies;
 - Supplies/other services; and
 - Oral or other forms of ESRD-related injectable drugs.

75 FR 49071

Update Factors and Adjustments to Base Rate

- ◆ Update factors applied to components of base rate to yield projected 2011 unadjusted per treatment base rate → \$251.60
- ◆ Standardization adjustment of 5.93% → \$236.68
- ◆ Outlier adjustment of 1% → \$234.32
- ◆ Budget neutrality adjustment of 2% → \$229.63

75 FR 49081

2-Part Transition Budget Neutrality Adjustment

1. To ensure payments would equal what would have been made in the absence of a transition
 - Recomputed each year of transition
 - 3.1% in 2011
 - Would apply to all payments (transition and 100% PPS payments)
2. Part D drug payment adjustment to basic case-mix adjusted composite payment system portion of blended payment = \$0.49

75 FR 49082

ESRD Bundled Market Basket

- ◆ The Affordability Care Act (ACA) amended MIPPA 153(b) as to how the ESRD bundled market basket is applied to both the composite rate and the ESRD PPS base rate.
 - Beginning 2012, ACA amended MIPPA to require a market basket increase minus a productivity adjustment.
 - For 2011, the ESRD bundled market basket updates the composite portion of the blended payment during the transition.

Patient-Level Adjustments

- ◆ Resource use varies by patient → > costs to provide dialysis
- ◆ Patient -specific case-mix adjustment factors from 2 equations
 - Composite rate
 - Separately billable services
- ◆ Multiple regression → case-mix adjusted payments/treatment
 - Age
 - BSA
 - Low BMI
 - Co-morbidity categories
 - Onset of renal dialysis

75 FR 49087

Patient-Level Adjustments (cont.)

◆ Patient Age

- Reference Group – 60 to 69 years
- 18-44 years = 17% more costly
- => 80 years = 1.6% more costly

◆ Body Size

- $BSA = 0.007184 * \text{weight}_{\text{kg}}^{0.425} * \text{height}_{\text{cm}}^{0.725}$
- $BMI = \text{weight}_{\text{kg}} / \text{height}_{\text{m}}^2$
- BMI adjustment is only applicable when BMI is less than 18.5 kg/m²

Patient-Level Adjustments (cont.)

- ◆ Onset of dialysis
 - ❖ Higher costs in first 4 months on dialysis (onset)
 - Stabilization; and administrative and labor costs
 - No training or co-morbidity adjustments paid during this adjustment
 - Adjustment for period of time of dialysis under the ESRD benefit
- ◆ Co-morbidities
 - ❖ Used multiple claim types for analysis (SNF, HH, Hospice, etc.)
 - ❖ 6 categories (3 acute and 3 chronic)
 - ❖ Acute co-morbidities include bacterial pneumonias, gastrointestinal tract bleeding with hemorrhage, and pericarditis

Patient-Level Adjustments (cont.)

◆ Co-morbidities (cont.)

- The three acute co-morbidity adjustments will be paid for the month the diagnosis is reported on ESRD facility claims and for the next three months, regardless if the diagnostic code is on the claim after the first month.
- Chronic co-morbidities include, hereditary hemolytic or sickle cell anemia, myelodysplastic syndromes, and monoclonal gammopathy
- The three chronic co-morbidity adjustment will be paid for each month the co-morbidity diagnosis is reported on the claims

Patient-Level Adjustments (cont.)

◆ Home and Self Dialysis Training

- Current payment = HD \$20/25 treatments max
PD \$12/15 treatments max
- ESRD PPS = HD and PD \$33.44 (wage adjusted and current maximum number of treatments apply)

Patient-Level Adjustments Considered But Not Included in the Final ESRD PPS

- ◆ Patient Sex
- ◆ Race/Ethnicity
 - Pending additional analysis and refinement of data sources

Pediatric Dialysis

- ◆ Current Payment = 1.62 adjustment factor
- ◆ ESRD PPS =
 - Age (< 13 years and 13-17)
 - Modality (PD and HD)
 - 10.5% differential has been reflected in the pediatric payment adjusters

Cell	Age	Modality	Adjustment
1	<13	PD	1.033
2	<13	Hemo	1.219
3	13-17	PD	1.067
4	13-17	Hemo	1.277

75 FR 49128

Facility-Level Adjustments – Wage Index

- ◆ Current method and source of wage index values
 - Based on hospital wage data
 - OMB's CBSA-based geographic area designations
 - Labor-related share – 53.711%
- ◆ ESRD PPS changes
 - Continuing the 0.5% annual wage index floor reduction during the ESRD PPS transition with the floor being 0.6000 in 2011
 - Labor-related share from the final ESRDB market basket – 41.737%

75 FR 49116

Facility-Level Adjustments – Low-Volume

◆ Low-Volume Definition

- Furnished less than 4,000 treatments in each of the 3 years preceding the payment year; and
- Has not opened, closed, or received a new provider number due to a change in ownership during the 3 years preceding the payment year

◆ Additional Criteria

- Geographic proximity for commonly owned facilities

◆ Payment Adjustment

- 18.9% adjustment
- Adjustment not applied to claims for pediatric patients

Outlier Policy

- ◆ Would protect facilities from losses linked to unusually high costs
- ◆ Patient-level eligibility based on use of items and services that are or would have been separately billable
- ◆ Payments would be added to per-treatment payment amount
- ◆ Outlier Services:
 - (1) ESRD-related drugs and biologicals that prior to January 1, 2011 were or would have been separately billable under Medicare Part B;
 - (2) ESRD-related laboratory tests that prior to January 1, 2011 were or would have been separately billable under Medicare Part B;
 - (3) medical/surgical supplies, including syringes, used to administer ESRD-related drugs that were or would have been separately billable under Medicare Part B; and
 - (4) renal dialysis service drugs that prior to January 1, 2011 were or would have been covered under Medicare Part D, excluding ESRD-related oral-only drugs effective January 1, 2014.

75 FR 49135

Outlier Policy (cont.)

◆ Outlier eligibility

- Compare predicted and imputed payment amounts per treatment
- Imputed payment amounts > predicted outlier services (the adjusted average outlier services MAP amount x the product of the patient-specific separately billable case-mix adjustments) payment amount + outlier threshold (fixed dollar loss amount) would generate outlier payment
 - Adult fixed dollar loss amount - \$155.44
 - Pediatric fixed dollar loss amount - \$195.02

◆ Outlier Payment

- Payment would be made at 80% (loss sharing percentage) of this excess amount
- Because 1% of total PPS payments are targeted for outlier payments, the fixed dollar loss amounts and 80% loss sharing percentage result in a 1% reduction to the base rate for outlier payments

Implementation

◆ MIPPA

- 4-year transition period
- One-time election
 - Cannot be rescinded
 - New facilities
- Payments made during the transition are to be budget neutral

◆ ESRD PPS transition blend

CY	Current System*	ESRD PPS *
2011.....	75%.....	25%
2012.....	50%.....	50%
2013.....	25%.....	75%
2014.....	0.....	100%

* transition budget neutrality adjustment

75 FR 49162

Implementation (cont.)

◆ Blended Payment

- Current basic case-mix adjusted composite payment system portion
 - Composite rate (adjusted by the case-mix and wage index) \$135.15;
 - Drug Add-on amount;
 - Payment amounts for items and services that are currently separately paid under Part B;
 - Case mix adjustment that are currently in use;
 - Wage index adjustments shall reflect current wage data;
 - Wage index floor is reduced from 0.6500 to 0.6000;
 - ESRD drugs and biologicals that are currently separately paid under Part D \$0.49; and
 - Training add-on for CAPD: \$12
 - Training add-on for Hemodialysis and CCPD: \$20

Implementation (cont.)

◆ Blended Payment

- ESRD PPS portion
 - Base rate: \$229.63;
 - Wage index adjustment shall reflect current wage data;
 - Applicable patient-level and facility-level adjustments;
 - Training add-on: \$33.44 per treatment for both PD and hemodialysis; and
 - Outlier payments
- ◆ The beneficiary coinsurance amount would be 20% of the total ESRD PPS payment or 20% of the blended payment amount for those facilities that decide to transition

Implementation (cont.)

- ◆ Claims Processing
 - Consolidated Billing Requirements
 - Laboratory Tests
 - Drugs and biologicals that were formerly covered under Part D
 - ESRD facility responsibility
 - Home dialysis
 - All home dialysis would be furnished under Method I
 - Method II would be eliminated

75 FR 49167

Wrap Up

- ◆ Additional ESRD information

<http://www.cms.gov/ESRDPayment>

- ◆ ESRD Payment Regulations and Notices including final rule (CMS-1418-F)

<http://www.cms.gov/ESRDPayment/PAY/list.asp>

Questions?

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