

CMS Changes Reimbursement Method for End Stage Renal Disease

On July 26, 2010, CMS announced their final decision to replace the current composite payment system for End Stage Renal Disease (ESRD) patients with a single bundled case mix-adjusted payment. The Final Rule, published August 12, 2010, explains that the new reimbursement scheme implements the payment system required by Section 153(b) of the Medicare Improvements for Patients and Providers Act (MIPPA). MIPPA calls for a single payment to be made to providers and facilities for renal dialysis services.¹ The new regulations will go into effect over a four year transition period for any procedure done after January 1, 2011.²

Under Section 2911 of the Social Security Amendments of 1972, all ESRD patients are covered under Medicare regardless of age.³ Before the August 12 Final Rule, ESRD reimbursements were processed using a basic case-mix adjusted composite payment system. Payments were calculated by taking the cost of treatment (including some drugs, tests, and supplies) adjusted by a drug add-on payment and case-mix factors which included age, body size, and pediatric status.⁴ Components of ESRD related services not covered within the composite payment included: home dialysis patients responsible for providing their own equipment and supplies; physician's professional services; separately billable laboratory services; separately billable drugs; blood and blood products; and bad debt.⁵ "Separately billable" services accounted for 40 percent of the total payment per dialysis treatment not covered within the composite payment to be billed to Medicare.⁶

The new bundled case mix-adjusted payment will consist of a base rate of \$229.63 for each dialysis treatment, adjusted by case-mix factors accounting for the following: age; body surface area; low body mass index; sex; eleven co-morbidity categories; and, the patient's dialysis longevity.⁷ Additional adjustments will be incorporated for pediatric patients, facilities with volumes under 4,000 treatments per year, patients whose care will cost significantly more than the Medicare reimbursement, and the geographic wage index.⁸ The new base rate represents a 41.7 percent increase, accounting for the addition of services previously billed separately under Medicare.⁹ Under the new methodology reimbursements for ESRD are expected to decline by two percent, or \$200 million, in 2011.¹⁰ While the

prospective payment system (PPS) system will go into effect over the next four years, oral drugs without injectable equivalents will have payments delayed until January 1, 2014. Facilities have a one-time option to be excluded from the transition period and begin receiving payments under the new system for any applicable procedure after January 1, 2011.¹¹

CMS also included in the Final Rule a proposed rule to establish a quality incentive program (QIP) component to ESRD reimbursement, also required under MIPPA. Under the QIP, institutions that did not meet or exceed quality standards by January 1, 2012 will see up to a two percent reduction in their PPS reimbursements.¹² The quality standards include two metrics that assess whether patients receive appropriate anemia treatments, and a third metric that evaluates urea reduction ratios to determine the efficiency of dialysis treatments at removing waste.¹³

The QIP is the first program allowing CMS to reduce payments if a facility fails to reach performance scores.¹⁴ Both the ESRD bundled payments and the QIP foreshadow the direction of reimbursement policies which incentivize quality of care provisions included in Patient Protection and Affordable Care Act.¹⁵

¹ "Medicare Program; End-Stage Renal Disease Prospective Payment System; Final Rule and Proposed Rule" Federal Registrar Vol. 75, No. 155 (August 12, 2010), p. 49030; "Medicare Improvements for Patients and Providers Act of 2008: Renal Dialysis Provisions" H.R. 6331§153(14)(A)(i) (July, 10, 2008).

² "Medicare Program; End-Stage Renal Disease Prospective Payment System; Final Rule and Proposed Rule" Federal Registrar Vol. 75, No. 155 (August 12, 2010), p. 49082.

³ "Medicare Program; End-Stage Renal Disease Prospective Payment System; Final Rule and Proposed Rule" Federal Registrar Vol. 75, No. 155 (August 12, 2010), p. 49031.

⁴ "End Stage Renal Disease (ESRD) Payment: Overview" Centers for Medicare and Medicaid Services, July, 22, 2010, <http://www.cms.gov/ESRDPayment/> (Accessed 8/18/10).

⁵ "End Stage Renal Disease (ESRD) Payment: Overview" Centers for Medicare and Medicaid Services, July, 22, 2010, <http://www.cms.gov/ESRDPayment/> (Accessed 8/18/10).

⁶ "End Stage Renal Disease (ESRD) Payment: Overview" Centers for Medicare and Medicaid Services, July, 22, 2010, <http://www.cms.gov/ESRDPayment/> (Accessed 8/18/10).

⁷ "Medicare Program; End-Stage Renal Disease Prospective Payment System; Final Rule and Proposed Rule" Federal Registrar Vol. 75, No. 155 (August 12, 2010), p. 49031,49082.

⁸ "Medicare Program; End-Stage Renal Disease Prospective Payment System; Final Rule and Proposed Rule" Federal

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Registrar Vol. 75, No. 155 (August 12, 2010), p. 49031, 49063, 49065, 49118.

⁹ "The Centers for Medicare & Medicaid Services ("CMS") Issue New Prospective Payment System ("PPS") for End-Stage Renal Disease ("ESRD") Facilities" Brown McCarroll, Health Law E-Alert, August, 2, 2010; "End Stage Renal Disease (ESRD) Payment: Overview" Centers for Medicare and Medicaid Services, July, 22, 2010, <http://www.cms.gov/ESRDPayment/> (Accessed 8/18/10).

¹⁰ "ESRD Final Rule August Payment System Changes for Other Providers" By Robert M. Wolin and Gregory N. Etzel, Baker Hostetler, Health Law Update, August 5, 2010.

¹¹ "The Centers for Medicare & Medicaid Services ("CMS") Issue New Prospective Payment System ("PPS") for End-Stage Renal Disease ("ESRD") Facilities" Brown McCarroll, Health Law E-Alert, August, 2, 2010; ¹ "Medicare Program; End-Stage Renal

Disease Prospective Payment System; Final Rule and Proposed Rule" Federal Registrar Vol. 75, No. 155 (August 12, 2010), p. 49082.

¹² "ESRD Final Rule August Payment System Changes for Other Providers" By Robert M. Wolin and Gregory N. Etzel, Baker Hostetler, Health Law Update, August 5, 2010.

¹³ "ESRD Final Rule August Payment System Changes for Other Providers" By Robert M. Wolin and Gregory N. Etzel, Baker Hostetler, Health Law Update, August 5, 2010.

¹⁴ "ESRD Final Rule August Payment System Changes for Other Providers" By Robert M. Wolin and Gregory N. Etzel, Baker Hostetler, Health Law Update, August 5, 2010.

¹⁵ "ESRD Final Rule August Payment System Changes for Other Providers" By Robert M. Wolin and Gregory N. Etzel, Baker Hostetler, Health Law Update, August 5, 2010.



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