

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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**CMS PROPOSES NEW PROSPECTIVE PAYMENT SYSTEM
FOR RENAL DIALYSIS FACILITIES**

***PROGRAM WOULD REWARD EFFICIENT, HIGH QUALITY CARE
FOR PEOPLE WITH END-STAGE RENAL DISEASE***

The Centers for Medicare & Medicaid Services (CMS) today proposed a new prospective payment system (PPS) for facilities that provide dialysis services to Medicare beneficiaries who have end-stage renal disease (ESRD).

The proposed PPS would provide a single bundled payment to dialysis facilities that would cover the items and services used in providing outpatient such services, including the dialysis treatment, prescription drugs, and clinical laboratory tests.

The new payment system, which was required by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), is designed to improve the efficiency of care, while promoting high quality services. Today's notice proposes three quality measures that CMS plans to use for its quality incentive program (QIP) and lays out a conceptual model for public comment.

“Combining a fully bundled prospective payment system with required performance standards would encourage facilities to operate more efficiently and ensure that beneficiaries receive high quality care, while saving dollars for both beneficiaries and the Medicare program,” said Jonathan Blum, director of the CMS Center for Medicare Management.

ESRD is the only category for Medicare eligibility that is based on a specific diagnosis, without regard to the age of the patient. Patients diagnosed with ESRD must rely on dialysis or receive a kidney transplant for survival. In 2007, there were about 591 hospital-based and 4,330 freestanding ESRD facilities furnishing outpatient dialysis services to nearly 330,000 Medicare patients. This total cost of this service was \$9.2 billion including the dialysis service and other ESRD-related items such as drugs.

ESRD services are furnished on an outpatient basis in independent or hospital-based dialysis facilities. Currently, Medicare pays for certain dialysis services under a partial bundled rate, referred to as the composite rate. Payments for these composite rate services represent about 60 percent of total Medicare payments to ESRD facilities. The remainder of Medicare

spending for dialysis services is for separately billed items such as drugs, but may also include laboratory services, supplies and blood products.

Under the proposed rule, CMS would establish a base bundled payment rate of \$198.64 for all of the services related to a dialysis session, including the services in the current composite rate as well as items, including oral drugs that are billed separately. The proposed base rate was derived from 2007 claims data for both composite rate and separately billable services and updated to reflect projected 2011 prices. It would also be adjusted for case mix factors such as the patient's age, gender, body size, and time on dialysis. A special case-mix adjustment would apply to pediatric patients. Additional adjustments to the payment rate would be made for specific conditions, or co-morbidities that have a significant impact on a course of treatment. By accounting for more characteristics of patients, the new PPS would target payments more appropriately, paying higher rates to those facilities with the most costly patients.

The base rate would also be adjusted to reflect geographic differences in labor costs. In addition, CMS is proposing to provide an adjustment for low-volume facilities, as well as an outlier policy that would make an adjustment for particularly expensive cases.

CMS will accept comments on the proposed rule through November 16, 2009, and will respond to them in a final rule to be issued in 2010. The new payment system would apply to dialysis services furnished to Medicare beneficiaries on or after January 1, 2011.

For more information, please see: <http://www.cms.hhs.gov/ESRDPayment/>

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