



## Why Across-the-Board Cuts to Dialysis Are Unsustainable

The End Stage Renal Disease (ESRD) benefit holds a unique place within the Medicare program. Unlike other beneficiaries, individuals with kidney failure qualify for benefits based upon their diagnosis, rather than age. This fact means that the approximately 400,000 Americans with irreversible kidney failure are dependent upon Medicare for life-sustaining dialysis treatments. These beneficiaries are particularly vulnerable because many patients are older, have a lower socioeconomic status, or are a racial or ethnic minority.

Approximately 80 percent of dialysis patients are Medicare beneficiaries. Thus, cuts to Medicare reimbursement rates disproportionately affect dialysis facilities because they do not have the same ability to spread costs as other Medicare providers might.

Dialysis facilities are particularly vulnerable to additional cuts at this time because we continue to work with the Centers for Medicare and Medicaid Services (CMS) to implement the overhaul of the Medicare ESRD program that Congress mandated in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA).

- Dialysis facilities are in the first year of the new Prospective Payment System (PPS) bundle that in addition to eliminating the separately billable drugs and laboratory aspects of the program, it also reduced the overall program expenditures by 2 percent.
- As currently implemented, the PPS has resulted in additional and inappropriate reductions in reimbursement rates. For example, dialysis facilities are not able to document the case-mix adjusters based upon co-morbidity factors so money that has been removed from the base rate to account for the adjusters is lost to the system overall.
- While MIPPA created an annual update framework, it also shaved 1 percent off of any market-basket update CMS might apply.
- MIPPA also established the ESRD Quality Incentive Program (QIP) – the first value-based purchasing (VBP) program in Medicare. This program reduces payments to facilities that do not meet the performance standards established by CMS. It does not provide incentive payments, as other VBP programs will. Flaws in the QIP implementation make it more likely than not that facilities will face as much as a 2 percent cut under the QIP with no opportunity to be rewarded for high quality care.

More than 40 percent of the beneficiaries cared for by dialysis facilities are dually eligible for Medicaid. States are also reducing their reimbursement rates or not covering the 20 percent share of Medicare reimbursement rate at all.

Dialysis patients will also be affected if funding to key agencies, such as the NIH, VA, and AHRQ, is cut since they conduct and disseminate scientific research on ESRD care that improves outcomes.

The Medicare margins for renal dialysis services are extremely narrow. In its recent Report to the Congress, MedPAC projects that for 2011 they will be 1.3 percent. MedPAC reported that the margins for freestanding rural facilities were negative 1.4 percent in 2009.