DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services

Medicare Learning Network®

Official CMS Information for
Medicare Fee-For-Service Providers

End-Stage Renal Disease Prospective Payment System

PAYMENT SYSTEM FACT SHEET SERIES

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This publication provides the following information about the End-Stage Renal Disease Prospective Payment System (ESRD PPS):

- Background;
- Transition period;
- Payment rates for adult patients;
- Payment rates for pediatric patients;
- Outlier adjustments;
- Transition budget neutrality factor;
- Home dialysis;
- Laboratory services and drugs;
- Beneficiary deductible and coinsurance;
- ESRD Quality Incentive Program (QIP); and
- Resources.

Background

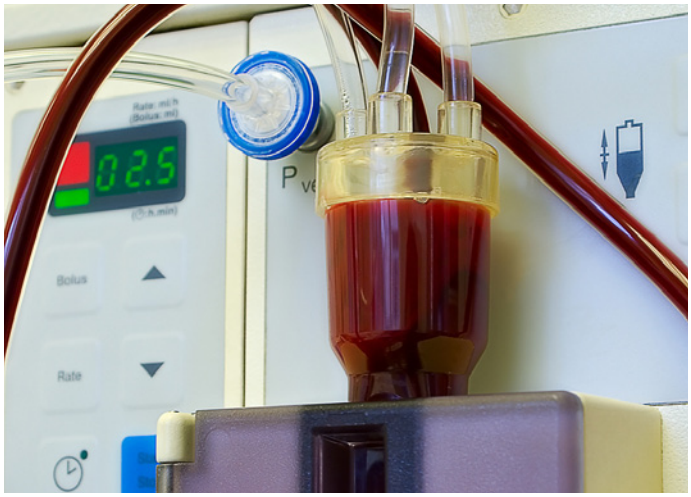
Section 153(b) of the Medicare Improvements for Patients and Providers Act (MIPPA) requires the implementation of a bundled ESRD PPS effective for Medicare outpatient maintenance dialysis services furnished on or after January 1, 2011. This payment system combines payments for the composite rate and separately billable renal dialysis items and services into a single base rate.

Transition Period

ESRD facilities that did not make an election to be paid 100 percent under the ESRD PPS on or before November 1, 2010, receive a blend of payments during the transition period. This blended payment is composed of the prior basic case-mix adjusted composite rate portion and the ESRD PPS. The percentages for the blend of payments are as follows:

Transition Year	Composite Payment Rate Percent	End-Stage Renal Disease Prospective Payment System Percent
Year one January 1, 2011 – December 31, 2011	75	25
Year two January 1, 2012 – December 31, 2012	50	50
Year three January 1, 2013 – December 31, 2013	25	75
Year four January 1, 2014 – December 31, 2014		100

For calendar year (CY) 2011 and each year thereafter, ESRD facilities that elected to be reimbursed 100 percent based on the ESRD PPS will continue to be reimbursed 100 percent based on the ESRD PPS payment amount.



Payment Rates for Adult Patients

For CY 2012, the ESRD PPS base rate for adult patients is $234.45. To determine the payment rate for an adult patient's dialysis treatment, the following adjustments and applications are made to the base rate:

- Patient-level adjustments for case-mix;
- Facility-level adjustments;
- A training add-on (if applicable);
- An outlier adjustment (discussed on pages 4 and 5); and
- A budget neutrality adjustment during the transition period through 2013 (discussed on page 5).

Patient-Level Adjustments for Case-Mix

The patient-level adjustments are patient-specific case-mix adjusters that have been developed from a two-equation regression analysis that encompasses the composite rate and separately billable items and services. The following are included in the patient-level adjustments:

- The variables used in the basic case-mix adjusted composite rate portion – Patient age, body surface area, and low body mass index;
- A single adjustment, with the highest co-morbidity adjustment applied if there is more than one co-morbidity condition:
  - Chronic comorbid conditions – Hereditary hemolytic and sickle cell anemia, monoclonal gammopathy (in the absence of multiple myeloma), and myelodysplastic syndrome; and
  - Acute comorbid conditions – Bacterial pneumonia, gastrointestinal bleeding, and pericarditis. This adjustment will be applied for no more than four consecutive months for any reported acute comorbid condition, unless there is a recurrence of the condition; and
- An onset of dialysis adjustment for the patient's first 120 Medicare eligible days after the start of renal dialysis. When this adjustment is being applied, the chronic and acute comorbid adjustments and the training adjustment will not be applied.

Facility-Level Adjustments

The facility-level adjustments include the following:

- An adjustment that reflects urban and rural differences in area wage levels using an area wage index developed from Core-Based Statistical Areas; and
- An adjustment for facilities that furnish a low volume of dialysis treatments. For the CY 2012 low-volume adjustment, an ESRD facility must have submitted an attestation to its respective Fiscal Intermediary (FI), Medicare Carrier, or A/B Medicare Administrative Contractor (MAC) no later than January 3, 2012. In all future years, the attestation must be received by the FI, Medicare Carrier, or A/B MAC no later than November 1.

Refer to the Provider Call Center Toll Free Numbers Directory to find contact information for FIs, Medicare Carriers, and A/B MACs at http://www.cms.gov/MLNProducts/Downloads/CallCenterTollNumDirectory.zip on the Centers for Medicare & Medicaid Services (CMS) website.

Training Add-On

Facilities that are certified to furnish training services receive a training add-on payment amount of $33.44, which is adjusted by the geographic area wage index to account for an hour of nursing time for each training treatment that is furnished. This adjustment applies to both peritoneal dialysis and hemodialysis training treatments.

Payment Rates for Pediatric Patients

For CY 2012, the ESRD PPS base rate for services furnished to pediatric patients is $234.45. Pediatric patients include those individuals who are under the age of 18.

Adjustments for Pediatric Patients

To determine the payment amount for a pediatric patient's dialysis treatment, the following adjustments and applications are made to the base rate (as discussed in the Payment Rates for Adult Patients section on page 3):

- Pediatric patient-level adjustments for case-mix;
- Facility-level adjustments;
- A training add-on (if applicable);
- An outlier adjustment, if applicable; and
- A budget neutrality adjustment during the transition period through 2013.

Pediatric Patient-Level Adjustments for Case-Mix

The pediatric model incorporates separate adjusters based on two age groups (<13, 13–17) and dialysis modality (hemodialysis, peritoneal dialysis). The per-treatment base rate as it applies to pediatric patients is the same base rate that applies for adult patients, which is also adjusted by the area wage index.

Treatments furnished to pediatric patients can qualify for a training add-on payment (when applicable) and are eligible for an outlier adjustment.

Note: Pediatric dialysis treatments are not eligible for the low-volume adjustment.

Outlier Adjustments

Outlier adjustments will be made for facilities that treat patients with unusually high resource requirements as measured through their utilization of identified services beyond a specified threshold. These adjustments are an additional payment beyond the otherwise applicable case-mix adjusted PPS amount and include the following items and services:

- ESRD-related drugs and biologicals that were or would have been separately billable under Medicare Part B prior to January 1, 2011;
- ESRD-related laboratory tests that were or would have been separately billable under Medicare Part B prior to January 1, 2011;
- ESRD-related medical/surgical supplies, including syringes, that were or would have been separately billable under Medicare Part B prior to January 1, 2011; and
- ESRD-related drugs that were or would have been covered under Medicare Part D prior to January 1, 2011, notwithstanding the delayed implementation of ESRD-related oral-only drugs effective January 1, 2014.

As of January 1, 2012, the laboratory tests that comprise the Automated Multi-Channel Chemistry panel are excluded from the definition of outlier services.

Note: Services not included in the PPS that remain separately payable (e.g., blood and blood processing, preventive vaccines, and telehealth services) are not considered outlier services.

Transition Budget Neutrality Factor

For CY 2012, a 0 percent transition budget neutrality factor is applied.

Home Dialysis

Effective January 1, 2011, home dialysis items and services that were previously reimbursed under Method II, regardless of home treatment modality, are included in the ESRD PPS payment rate. All home dialysis claims with dates of service on or after January 1, 2011, must be submitted by the renal dialysis facility and will be processed as Method I claims.

Laboratory Services and Drugs

Effective January 1, 2011, ESRD-related laboratory services and drugs and biologicals that were separately billable under Medicare Part B are included in the ESRD PPS. Laboratories, other suppliers, and physicians who furnish services otherwise included in the payment bundle that are not related to the patient's ESRD may bill separately for these services using the AY modifier.

Beneficiary Deductible and Coinsurance

The beneficiary is responsible for any unmet deductible and coinsurance amounts. Effective January 1, 2011, the beneficiary's deductible and coinsurance amounts will depend on how the facility elects to be reimbursed:

- If the facility will receive the blend of payments composed of the basic case-mix adjusted composite rate portion and the ESRD PPS, the beneficiary's coinsurance is based on the final blended payment amount; or
- If the facility will be reimbursed 100 percent under the ESRD PPS, the beneficiary's coinsurance is based on the ESRD PPS base rate and all applicable adjustments.

End-Stage Renal Disease Quality Incentive Program

The ESRD QIP, which was mandated by Section 153(c) of the MIPPA, adjusts Medicare payments to renal dialysis facilities based on how well they meet or exceed performance standards for quality measures. Payment year (PY) 2012 is the first year that payment reductions will be implemented under the program. The following three measures (one measure of dialysis adequacy and two measures of anemia management) have been selected for PY 2012:

- Percentage of Medicare patients with an average hemoglobin less than 10.0 g/dL;
- Percentage of Medicare patients with an average hemoglobin greater than 12.0 g/dL; and
- Percentage of Medicare patients with an average urea reduction ratio equal to or greater than 65 percent.

For more information about the ESRD QIP, visit http://www.cms.gov/ESRDQualityImproveInit on the CMS website.

Resources

For more information about ESRD services for outpatient maintenance dialysis, visit http://www.cms.gov/ESRDpayment and http://www.cms.gov/center/esrd.asp on the CMS website. You may also refer to Chapters 11 and 15 of the "Medicare Benefit Policy Manual" (Publication 100-02) and Chapter 8 of the "Medicare Claims Processing Manual" (Publication 100-04) at http://www.cms.gov/Manuals/IOM/list.asp and the "Claims Processing and Reimbursement" section of the Medicare Learning Network® publication titled "MLN Guided Pathways to Medicare Resources Provider Specific Curriculum for Health Care Professionals, Suppliers, and Providers" booklet at http://www.cms.gov/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf on the CMS website. To find Medicare information for beneficiaries (e.g., Medicare basics, managing health, and resources), visit http://www.medicare.gov on the CMS website.

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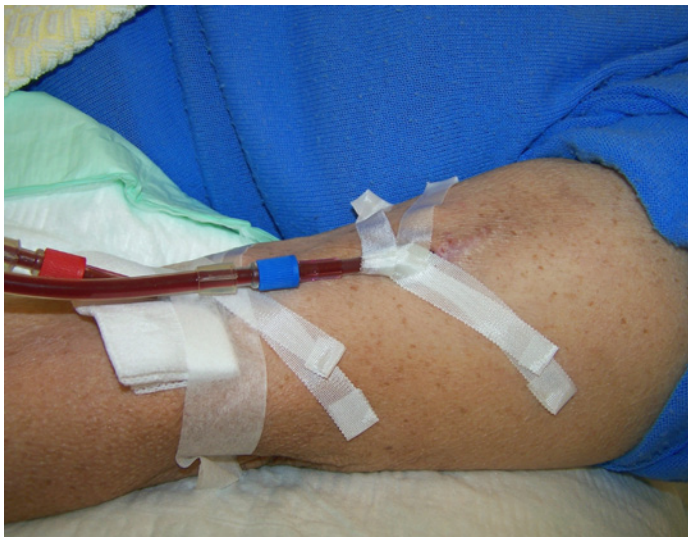

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