

History of Dialysis ESRD Reimbursement Policies

Bruce J. Thompson, CPA CMA

www.GaiaSoftware.com

45th Annual FRAA Conference

July 19, 2018



No Conflicts with the FRAA

Gaia maintains a large presence of customers in Florida

Meet Milo! Milo says Hi



Key Take Away's

- ▶ The Early Days (1970's)
- ▶ The Official ESRD Program
- ▶ Insurance Payer Types
- ▶ Learning As We Go (Better Machine/Dialyzer Technology = Better Treatments)
- ▶ ESRD Reimbursement Changes
- ▶ Effects of the Affordable Care Act

1970's

Beginnings of Dialysis Therapy

- ▶ Limited Capacity
 - ▶ 8 hour daily treatment times
- ▶ Death Committees
- ▶ Story To Congress



1982

Official ESRD Program is Established

- ▶ Issued 1st Conditions of Coverage
- ▶ Medicare Part B Service
 - ▶ Processed under Part A for Data Collection
- ▶ As an Outpatient Service Medicare Reimburses 80% with 20% Patient Responsibility
- ▶ Modality Patient Selection Process - Reimbursement Neutral
 - ▶ Hemodialysis - Incenter Incenter \$150 Comp Rate (3 days/week)
 - ▶ Peritoneal Dialysis - Home Home \$150 Comp Rate (7 days/week)
 $(\$150 * 3 / 7 = \$64.29)$
 - ▶ Hemodialysis - Home Home \$150 Comp Rate (3 days/week)

Official ESRD Program

- ▶ 1982-2010 Medicare Composite Reimbursement Rate \$150/156 per treatment
- ▶ Separately Billable Tests, Drugs, Labs, Etc.
 - ▶ Battle over inclusion in Comp Rate Services
- ▶ Only true socialized medicine program in the US
 - ▶ Everyone is covered under Medicare
- ▶ Coordination of benefits with Private Insurance (30 or 33 Months)
 - ▶ Coordination of benefits: 6mos, 12mos, 18mos, 30mos
- ▶ 2011 Currently Bundled Rate Services \$238
 - ▶ Comp \$150 plus ESA \$55, ESRD Drugs \$25, Labs \$8
- ▶ Insurance Payer Mix
 - ▶ Insurance Payer Mix - 80%/90% Medicare to 20%/10% Private Insurance

Official ESRD Program

- ▶ 1982-2010 Standard Dialysis Treatment Billing Rates Ranged from \$150 to \$1,400 per treatment or more
 - ▶ FI's told Providers to Bill Medicare at Medicare Allowable Rates
- ▶ Facility Revenue is 40% Private Insurance 60% Medicare Payments
 - ▶ Payer Mix 20%/80% Priv/Mcare Produced 40%/60% Priv/Mcare Revenue
- ▶ ESRD Patients Total Around 3% of All Medicare Covered Patients
- ▶ Medicare ESRD Program uses 7% of Medicare funding
- ▶ 1982-2010 Separately Billable Drugs and Labs Reimbursements are based on Utilization
 - ▶ In Mid 90's CMS Increased Numbers of Physicians 4x and Utilization Increased 4x

1982-2010 Insurance Payer Types

Payment Strategy was to stay out of network hoping to collect standard billing rates

- ▶ Traditional Indemnity
- ▶ PPO's
- ▶ HMO's
- ▶ Medicare
 - ▶ Medicare Replacement Plans
- ▶ Medicaid
 - ▶ Medicaid Replacement Plans or Mcare/Mcaid Combo Plans



1982-2010

Progression of Treatment Therapy through Dialysis Machine Evolution

Cobe, Gambro, Baxter

- ▶ C2 Acetate
- ▶ C2RX Bicarbonate (easier on patients)
- ▶ C3 Ultrafiltration Fluid Management (sold on shorter treatment times)
 Current UFR's Standards Range from 10 international to 13 US limits
- ▶ Phoenix Software Driven (Fresenius "T" machine)

Machine purchase decisions based on long-term cost of ownership and ease of use
- not therapeutic advantages (high tech/low tech)

1983-1987

The Intro of “EPO”

The Miracle Drug

- ▶ Add-on to the composite rate
- ▶ EPO Introductory Pricing
 - ▶ \$40 for 1 - 4,000 units
 - ▶ \$100 for over 4,000 units
- ▶ EPO Reimbursement policy designed to encourage utilization
- ▶ EPO Reimbursement Converted to \$10 per 1.000 units

Introduction of Other Drugs Used the Miscellaneous Bill Code

- Reimbursed at Standard Rates
 - ▶ Carnitor as an Example

2011 ESRD Program Changes

Implementation of New Bundled Rate

- ▶ Effective January 1, 2011
- ▶ 2008 2nd Release of Conditions of Coverage (proposed 2/4/05 finalized 4/15/08)
- ▶ 2008 implemented CROWNweb ESRD Data Collection System as an unfunded mandated to ESRD program (The Facebook for ESRD Patient Data without Patient Access)
 - ▶ 661,000 people have kidney failure - 468,000 on dialysis (193,000 living transplants)
 - ▶ Approximately 89,000 kidney patients die annually (more than breast or prostate cancer)
 - ▶ 6,479 dialysis facilities including 617 hospital based
- ▶ 2009 HITECH (Supplement to HIPAA Bill Published 1996)
 - ▶ Promoted the adoption and meaningful use of health information technology
 - ▶ Excluded ESRD Program
 - ▶ Paid physicians \$40,000 each to Implement EMR software programs
 - ▶ Unfunded mandate to ESRD program

ESRD Program Changes

- ▶ 2007-2011 Consolidation of FI's into larger more sophisticated MAC organizations to process Medicare claims

ESRD Governance Process

- ▶ Congress passes law 1 page
 - ▶ CMS issues regulations 10 pages
 - ▶ MAC's develop policies and procedures 50 pages
-
- ▶ 2012 QIP
 - ▶ Quality Incentive Program
 - ▶ Actually a payment reduction program up to 2%

2011 Medicare Bundled Rate Summary

- ▶ Combined all dialysis related services needed to care for ESRD patients into one payment per treatment (bill all treatment activity with disallowed services)
- ▶ Created a case mix payment adjustment based on certain acuity factors
 - ▶ age, height, weight, comorbidities, etc...
- ▶ Incentive designed to lower utilization of services counterbalanced by the QIP Program through CROWNWeb data collection and mining processes (formerly billing data only)
 - ▶ EPO payment reduction over 4 years (EPO Utilization went from \$55.00 per tx to \$28.00 per tx) (Same time EPO cost went from \$10 to \$12 per 1,000 units)
- ▶ Subject to annual price adjustments less gains in delivery system efficiencies
- ▶ Changed Medicare ESRD Bad Debt reimbursement as of 1/1/2012
 - ▶ Eliminated the floor and reduced allowable bad debt claims to 60% of composite rate)
- ▶ Evolve and Expand QIP Program annually beginning 2012 with additions/deletions
- ▶ ESRD to Participate in 5 Star Program (not based on QIP program criteria)

2010 Obamacare

Implemented to Cover Baby Boomers

- ▶ Patient Protection and Affordable Care Act
- ▶ Cost of US Healthcare is 18% of GNP vs Canada is 8% of GNP
 - ▶ Canada by design limits access to care and has a fast tract program surcharge
- ▶ US National Defense Budget is approximately 50% of Government Spending
 - ▶ US National Defense Budget is the highest in the world which means no room for national healthcare coverage without additional funding



Obamacare

- ▶ Cause and Effect on Individuals (Middleclass and Small Businesses)
 - ▶ 20M more people covered by Health Insurance (didn't anticipate high utilizers)
 - ▶ Effect on individual insurance cost of coverage
 - ▶ Higher deductibles
 - ▶ Higher co-pays
 - ▶ Higher premiums (companies less than 50 employees/self-employed)
 - ▶ Required young people to purchase health insurance coverage
 - ▶ Medicare/Medicaid Replacement Plans Requires a 3 year Commitment by Insurance Companies (vs late 1990's HMO dump with only 1 year commitment requirements)
 - ▶ Consolidated Insurance Companies i.e. BCBS, United Healthcare, Cigna, Aetna
 - ▶ Obamacare automatically funds State Program annual premium increases
 - ▶ Little Brother to do dirty work for Congress by lowering payments to providers
 - ▶ 2018 Tax Reform Act - Budget neutral with 15% Cut in Corporate Tax Rates

Obamacare

- ▶ Cause and Effect on Insurance Reimbursement for ESRD Program
 - ▶ Medicare Bundling Payment System has virtually eliminated cost shifting to private insurance companies as private insurance now want to pay/reimburse at Medicare rates
 - ▶ Certain Insurance Carriers are limiting out-of-network payments to Medicare rates or unilaterally reducing reimbursement rates
 - ▶ Insurance Companies have no reason to negotiate for higher contracted rates
 - ▶ ESRD Providers must now cover cost of services on blended reimbursement rates at or around Medicare Reimbursement Rates

Key Take Away's

- ▶ The Early Days (1970's)
- ▶ The Official ESRD Program
- ▶ Insurance Payer Types
- ▶ Learning As We Go (Better Machine/Dialyzer Technology = Better Treatments)
- ▶ ESRD Reimbursement Changes
- ▶ Effects of the Affordable Care Act