Overview

This paper analyzes the potential impacts of expanding the choice of Medicare Advantage to all End Stage Renal Disease (ESRD) beneficiaries in Medicare. It concludes that the benefits of Medicare Advantage would only be fully realized for these beneficiaries if the Medicare Advantage ESRD payment system is accurate, which is currently not the case. The analysis includes background information on kidney failure and its treatments, including dialysis, as well as a summary of Medicare ESRD payment policies. Finally, the paper includes recommendations on how to improve ESRD care in Medicare. Recommendations include the expansion of more ESRD beneficiaries in Medicare Advantage to ensure high-quality care and prevent negative effects on the Medicare Advantage program, which 1/3 of beneficiaries rely on for their Medicare.

THIS ISSUE PAPER SHOWS:

• ESRD prevalence continues to increase and these patients have complex, high cost treatment needs.

• Medicare Advantage provides a high-value care framework well-suited to vulnerable patients with chronic conditions like ESRD.

• To provide these benefits, Medicare Advantage relies on payment accuracy, and current ESRD payment in Medicare Advantage is inadequate.

• Medicare Advantage ESRD payment is inadequate due to significant discrepancies in the cost of dialysis care in Traditional Fee-For-Service (FFS) Medicare versus Medicare Advantage. This discrepancy is due to an inability to negotiate lower rates closer to Traditional FFS Medicare dialysis costs.

• The Centers for Medicare & Medicaid Services (CMS) must ensure payment for ESRD beneficiaries in Medicare Advantage is adequate, especially if more beneficiaries are given the ability to choose Medicare Advantage.

• Additional, policies should be enacted to improve ESRD care in Medicare by increasing the focus on prevention, encouraging treatment innovations, and removing barriers to care.
ESRD Patients Have Complex, High-Cost Needs

Individuals living with kidney failure, called ESRD, have complex health care needs. These Medicare-eligible individuals require dialysis multiple days per week and must take many medications each day. They are also at high risk of hospital admissions, high out-of-pocket costs and adverse outcomes. Though the number of new ESRD cases has plateaued since 2010, the total number of individuals with ESRD continues to grow as treatments advance and patients live longer.\(^1\)

ESRD Continues to Be a Priority for Policymakers

Addressing the cost and delivery of ESRD care has long been a concern for policymakers. Congress has authorized multiple demonstration projects and modifications to the payment methodology for ESRD treatment in Traditional Fee-For-Service (FFS) Medicare, including a move to a bundled payment system tied to performance measures in 2011.\(^2\) The most recent demonstration is in progress and will be completed in 2020.\(^3\)
Not All ESRD Individuals Have the Choice of Medicare Advantage

Current law prohibits ESRD Medicare beneficiaries from the choice of receiving their Medicare through Medicare Advantage except for limited situations, including if the individual developed ESRD while already enrolled in Medicare Advantage. Other limited situations include if he/she already received health benefits (e.g. employer-based coverage) through the same health insurance plan that offers the Medicare Advantage plan, or if he/she can join a Special Need Plan (SNP) for people with ESRD in his/her area.4,5

Medicare Advantage Relies on Accurate Capitated Payments to Provide High-Quality, Coordinated Care

The high-quality care under Medicare Advantage is dependent on a capitated payment system that accurately estimates the cost of care for each patient. Accurate payment allows Medicare Advantage to provide preventive, coordinated care that aims to slow disease progression. It can also enable Medicare Advantage to focus on innovation and value-based care, and help address barriers to care.

Current ESRD Payment in Medicare Advantage is Inadequate

Medicare Advantage health plan data indicate that current payment for Medicare Advantage ESRD patients are inadequate. Plan data indicate that current costs for the ESRD enrollees in Medicare Advantage range from just under 100% of payment (approximately 96%) to as high as 137% payment, depending on the geographic area. The average cost is 104% of payment.6 This inaccuracy is compounded by the fact that the average ESRD patient costs over eight times the cost of a non-ESRD patient; on average $7,023 versus $825 per month.7 Also, volatility in the proposed and final Medicare Advantage ESRD rates in recent years indicates potential difficulty in estimating accurate cost.

Medicare Advantage ESRD Payment Inaccuracy Is Due to the High-Cost of Dialysis

Inaccurate payment for ESRD in Medicare Advantage is largely because Medicare Advantage benchmarks are calculated based on Traditional FFS Medicare spending, and data show that the cost of dialysis treatment in Medicare Advantage is not analogous to the Traditional FFS Medicare bundled rate. In fact in many areas the cost of ESRD treatment to private health plans, including Medicare Advantage plans, is significantly higher than Traditional FFS Medicare dialysis costs – often over two times the Traditional FFS Medicare rate.8
Dialysis Market Consolidation Prevents Medicare Advantage Price Negotiations

This cost differential is due to the inability of Medicare Advantage plans to negotiate dialysis prices closer to the Traditional FFS Medicare rates due to the highly concentrated nature of the dialysis provider market. To meet network adequacy rules, Medicare Advantage plans do not have negotiating leverage in most geographic areas across the country. In addition, there is a lack of volume discounting due to the relatively low prevalence of ESRD in Medicare Advantage. The inability of Medicare Advantage plans to negotiate lower dialysis rates is unlikely to change even with more ESRD patients included in Medicare Advantage due to the highly consolidated nature of the dialysis market. This is not the case in most other treatments in Medicare Advantage, where Medicare Advantage plans most often pay rates close to or below Traditional FFS Medicare.9

Inadequate ESRD Payments Impact Beneficiaries and the Medicare Advantage Program

Medicare Advantage rates that are substantially less than the actual cost of treatment could negatively impact beneficiary access to the high-quality care Medicare Advantage provides. If payment accuracy is not corrected, adding more ESRD beneficiaries to Medicare Advantage could not only impact beneficiary care but could also be damaging to the Medicare Advantage program, which is the choice for one out of every three Medicare beneficiaries, almost 18.5 million individuals and growing.10

CMS Must Make Medicare Advantage ESRD Payment Accurate

Before the choice of Medicare Advantage is expanded to more ESRD beneficiaries, CMS must update Medicare Advantage ESRD payment to ensure it accurately reflects the cost of care for ESRD patients in Medicare Advantage. This includes analyzing the accuracy of Medicare Advantage ESRD state benchmarks, the ESRD risk adjustment model, and Star Rating Quality Program.
BMA Recommendations for Improved Care for ESRD Beneficiaries

• CMS must ensure payment for ESRD beneficiaries is accurate in Medicare Advantage:
  ◦ Before ESRD patients are given the choice of Medicare Advantage and more individuals are included in the program, CMS must update the payment system to ensure adequate payments, including ESRD benchmark rates and the ESRD-specific risk adjustment model.

• CMS must evaluate the Star Ratings Quality system as it relates to ESRD beneficiaries:
  ◦ CMS must work with Nephrologists and other ESRD providers to evaluate the Star Ratings Quality system in Medicare Advantage as it relates to individuals with ESRD to ensure it effectively incentivizes improved quality for this complex cohort of patients.

• Place renewed emphasis on preventing ESRD and slowing disease progression:
  ◦ Early detection of Chronic Kidney Disease (CKD) and prevention of ESRD should be emphasized. This should include an evaluation and public reporting of the impact of the recent removal of low acuity renal diagnosis codes in the general Medicare Advantage risk adjustment model.

• Encourage kidney donation and replacement:
  ◦ CMS, other policymakers and stakeholders should work together to increase kidney donation in order to increase access to kidney transplants.

• Share best practices for ESRD care:
  ◦ CMS should work with Nephrologists and other ESRD providers to identify the most effective ESRD care management and community-based programs that should be used to care for patients with ESRD and provide a mechanism for effective dissemination of these best practices.

• Increase access to ESRD education:
  ◦ Ensure all ESRD patients have access to information about all their treatment options, including palliative care.
• **Support advancements and innovations in ESRD treatments:**
  ° CMS should support innovations in care, including the use of telemedicine for routine dialysis-related check-ups, advances in home dialysis, and strides in other modalities of treatment.

• **Allow more flexibility for customized care for vulnerable Medicare Advantage beneficiaries:**
  ° Give Medicare Advantage plans the tools to customize care for ESRD patients to improve outcomes and remove care barriers such as transportation problems. This would include allowing flexibility in benefit design and supplemental benefits.

• **Expand access to Medicare Advantage Special Needs Plans for ESRD beneficiaries:**
  ° Congress should permanently reauthorize the Special Needs Plans (SNPs) with quality improvements, and also encourage expanded access to ESRD SNPs. CMS should also review and publicly report on ESRD SNP access, enrollment, and effective strategies.
Citations


6. Health plan data from one Better Medicare Alliance coalition company’s analysis of Medicare Advantage payment rates for 2015.


