

NCHA Financial Feature



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CMS Finalizes CY 2019 ESRD PPS Update; Contains DMEPOS Changes

The Centers for Medicare and Medicaid Services (CMS) has issued a final rule to update payment policies and rates under the End-Stage Renal Disease (ESRD) Prospective Payment System (PPS) for services furnished on or after Jan. 1, 2019 (calendar year (CY) 2019).

The rule will be published in the Nov. 14, 2018 **Federal Register**. The 535-page display copy is currently available at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-24238.pdf>. Of course, this link will be superseded upon publication.

This rule also updates the acute kidney injury (AKI) dialysis payment rate for renal dialysis services furnished by ESRD facilities to individuals with AKI, and finalizes changes to the ESRD Quality Incentive Program (QIP).

This rule also includes finalized changes to bidding and pricing methodologies under the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program (CBP); adjustments to DMEPOS Fee Schedule amounts using information from competitive bidding for items furnished on or after Jan. 1, 2019; new payment classes for oxygen and oxygen equipment and a new methodology for ensuring budget neutrality for oxygen payment classes; and special payment rules for innovative multi-function ventilators or ventilators that perform functions of DME.

Comment

Medicare expects to pay approximately \$10.5 billion to approximately 7,000 ESRD facilities in CY 2019. CMS estimates that the finalized revisions to the ESRD PPS will result in an increase of approximately \$210 million in payments to ESRD facilities in CY 2019.

Kudos to the folks who wrote this rule for it contains many “Final Rule Action” sections.

Once again, CMS is piggybacking a non-germane item on this rule. While piggybacking maybe a convenience to the government, it is not helpful to those whose only concern is the major item in question, in this case, the CY 2019 ESRD update. The DMEPOS items are nearly as long as the ESRD changes. This analysis is only centered on the ESRD items.

The material that follows does not include the DMEPOS items.

UPDATES TO THE ESRD PPS BASE RATE

The final CY 2019 ESRD PPS base rate will be **\$235.27**, down slightly from its proposed amount of \$235.82. This represents an increase of \$2.90. The current rate is \$232.37.

The CY 2019 ESRDB market basket increase factor is 2.1 percent. The 2.1 percent is reduced by the **Affordable Care Act's** (ACA) multifactor productivity (MFP) adjustment, estimated for CY 2019 to be 0.8 percent for net update of 1.3 percent.

The \$235.27 reflects the productivity-adjusted market basket increase as required by section 1881(b)(14)(F)(i)(I) of the Act (1.3 percent), and application of a wage index budget-neutrality adjustment factor (0.999506), equaling \$235.27 ($\$232.37 \times 1.013 \times 0.999506 = \235.27).

Rebasing the ESRD Market Basket and Labor-Related Share

CMS has rebased the ESRD market basket to reflect 2016 cost data. The main impact of the rebasing appears to be an increase in the labor-related share from 50.673 percent (using the 2012-based market basket) to **52.3** percent (using the 2016-based market basket).

Annual Update to the Wage Index and Wage Index Floor

The final CY 2019 wage index values for urban areas are listed in Addendum A (Wage Indices for Urban Areas) and for Rural Areas in Addendum B (Wage Indices for Rural Areas). Addenda A and B are located on the CMS Web site at <https://go.cms.gov/2zIP4hZ>.

CMS is not making any changes to the application of the wage index; however, CMS is increasing the current wage index floor from 0.4000 to 0.5000, which would increase the wage index value for any areas currently below 0.5000.

Update to the Outlier Policy

Under § 413.237, an ESRD facility is eligible for an outlier payment if its actual or imputed Medicare Allowable Payment (MAP) amount per treatment for ESRD outlier services exceeds a threshold.

CMS is updating the outlier services fixed-dollar loss (FDL) amounts for adult and pediatric patients and MAP amounts using 2017 claims data.

The FDL amount for pediatric beneficiaries will increase from \$47.79 to \$57.14 and the MAP amount will decrease from \$37.31 to \$35.18.

For adult beneficiaries, the FDL amount will decrease from \$77.54 to \$65.11 and the MAP amount will decrease from \$42.41 to \$38.51.

The 1.0 percent target for outlier payments was not achieved in CY 2017. Outlier payments represented approximately 0.8 percent of total payments rather than 1.0 percent.

The impact of this update is shown in the table below, which compares the outlier services MAP amounts and FDL amounts currently used for the outlier policy in CY 2018 with the updated final estimates for this rule. The estimates for the final CY 2019 outlier policy, which are included in Column II of the table were inflation adjusted to reflect projected 2019 prices for outlier services.

Outlier Policy: Impact of Using Updated Data to Define the Outlier Policy

	Column I Final Outlier Policy for CY 2018 (Based on 2016 Data, Price Inflated to 2018)		Column II Final Outlier Policy for CY 2019 (Based on 2017 Data, Price Inflated to 2019)	
	Age < 18	Age >= 18	Age < 18	Age >= 18
Average outlier services MAP amount per treatment	\$37.41	\$44.27	\$34.18	\$40.18
Adjustments				
Standardization for outlier services	1.0177	0.9774	1.0503	0.9779
MIPPA reduction	0.98	0.98	0.98	0.98
Adjusted average outlier services MAP amount	\$37.31	\$42.41	\$35.18	\$38.51
Fixed-dollar loss amount that is added to the predicted MAP to determine the outlier threshold	\$47.79	\$77.54	\$57.14	\$65.11
Patient-month-facilities qualifying for outlier payment	9.0%	7.4%	7.2%	8.2%

Comment

Over the years the PPS programs employing an outlier adjustment have been less than the “set aside” amounts. With respect to this ESRD update, CMS admits that outlier payments were only 0.8 percent whereas the set aside amount was 1.0 percent. In other words, it appears that CMS is under paying providers, in this case by 20 percent of the outlier pool.

This is happening because, CMS is under no statutory requirement to adjust for such shortcomings.

It is refreshing to finally see these shortfalls and their economic impacts being discussed in the outlier comment section. If more comments are submitted, then Congress may fix this problem.

Update to the Drug Designation Process

The ESRD PPS provides for a transitional drug add-on payment adjustment (TDAPA) to pay for a new injectable or intravenous product that is not considered included in the ESRD PPS bundled payment, meaning a product that is used to treat or manage a condition for which there is not an existing ESRD PPS functional category.

Effective Jan. 1, 2020, CMS is revising the drug designation process to allow all new renal dialysis drugs and biological products approved by the Food and Drug Administration (on or after Jan. 1, 2020), regardless of whether they fit into an existing ESRD PPS functional category, to be eligible for the TDAPA. The TDAPA will apply for only 2 years.

Effective Jan. 1, 2020, all drugs and biological products paid under the TDAPA will be paid at 100 percent of Average Sales Price (ASP) (ASP+0), with the exception of calcimimetics, which will continue to be paid based on pricing methodologies under section 1847A of the Social Security Act (which includes ASP+6.0 percent) until they are bundled under the ESRD PPS.

When a new renal dialysis drug or biological falls within an existing functional category at the end of the TDAPA period, CMS would not modify the ESRD PPS base rate, but at the end of the 2 years, the drug would be eligible for outlier payment.

CY 2019 Payment for Renal Dialysis Services Furnished to Individuals with Acute Kidney Injury

(AKI)

As required by section 1834(r) of the Act, CMS is updating the AKI dialysis payment rate for CY 2019 to equal the CY 2019 ESRD PPS base rate and to apply the CY 2019 wage index. Therefore, for CY 2019, the AKI dialysis payment rate is \$235.27.

END-STAGE RENAL DISEASE QUALITY INCENTIVE PROGRAM (ESRD QIP)

Finalized Policies for the PY 2021 ESRD QIP

a. Removal of 4 Measures

CMS will, as proposed, remove four of the reporting measures that were previously finalized for the PY 2021 ESRD QIP measure set. They are:

- Healthcare Personnel Influenza Vaccination.
- Pain Assessment and Follow-Up.
- Anemia Management.
- Serum Phosphorus.

b. Performance Standards, Achievement Thresholds, and Benchmarks for the PY 2021 ESRD QIP

CMS is finalizing its proposal to substitute performance standards, achievement thresholds, and benchmarks if they are worse than they were in the prior payment year and to periodically re-baseline the blood stream infection (BSI) measure as needed, beginning with PY 2021 and for future payment years.

For PY 2021, CMS has applied this substitution policy to four measures: the SRR measure, the SHR measure, the ICH CAHPS: Overall Rating of Nephrologists) measure, and the ICH CAHPS: Overall Rating of the Dialysis Facility measure.

The updated performance standards, achievement thresholds, and benchmarks for the finalized PY 2021 ESRD QIP clinical measures are shown in the table below.

**Finalized Performance Standards for the PY 2021 ESRD QIP Clinical
Using the Most Recently Available Data**

Measure	Achievement Threshold	Benchmark	Performance Standard
Vascular Access Type			
Standardized Fistula Rate	51.79%	75.22%	62.80%
Catheter Rate	19.20%	5.47%	12.01%
Kt/V Composite	92.98%	99.14%	96.88%
Hypercalcemia	1.86%	0.00%	0.58%
Standardized Transfusion Ratio	1.684	0.200	0.847
Standardized Readmission Ratio	1.268	0.629	0.998
NHSN Bloodstream Infection	1.479	0	0.694
SHR measure	1.249	0.670	0.967
ICH CAHPS: Nephrologists' Communication and Caring	58.09%	78.52%	67.81%

Measure	Achievement Threshold	Benchmark	Performance Standard
ICH CAHPS: Quality of Dialysis Center Care and Operations	54.16%	72.03%	62.34%
ICH CAHPS: Providing Information to Patients	73.90%	87.07%	80.38%
ICH CAHPS: Overall Rating of Nephrologists	49.33%	76.57%	62.22%
ICH CAHPS: Overall Rating of Dialysis Center Staff	49.12%	77.46%	63.04%
ICH CAHPS: Overall Rating of the Dialysis Facility	53.98%	82.48%	67.93%

c. Revisions to the PY 2021 Domain and Measure Weights Used to Calculate the Total Performance Score (TPS)

CMS is finalizing its domain and measure weighting policy for PY 2021 as reflected in the table below.

CMS is finalizing different weights for the other measures in the Clinical Domain than it proposed. Specifically, CMS is increasing the Kt/V measure weight from 6 to 9 percent of the TPS; increasing the VAT measure topic weight from 6 to 12 percent of the TPS; decreasing the STrR measure weight from 22 to 10 percent of the TPS; and increasing the Ultrafiltration measure weight from 3 to 6 percent of the TPS.

Finalized Measure and Domain Weighting for the PY 2021 ESRD QIP

Proposed Measures/Measure Topics by Domain	Proposed Measure Weight as Percent of TPS
PATIENT & FAMILY ENGAGEMENT MEASURE DOMAIN	
ICH CAHPS measure	15.00%
	15.00% of TPS
CARE COORDINATION MEASURE DOMAIN	
SRR measure	14.00%
SHR measure	14.00%
Clinical Depression and Follow-Up reporting measure	2.00%
	30% of TPS
CLINICAL CARE MEASURE DOMAIN	
Kt/V Dialysis Adequacy Comprehensive measure	9.00%
Vascular Access Type measure topic*	12.00%
Hypercalcemia measure	3.00%
STrR measure	10.00%
Ultrafiltration Rate reporting measure	6.00%
	40% of TPS
SAFETY MEASURE DOMAIN	
NHSN BSI measure	9.00%
NHSN Dialysis Event reporting measure	6.00%
	15% of TPS
*The VAT Measure Topic is weighted for each facility based on the number of eligible patients for each of the two measures in the topic, with each measure score multiplied by the respective percentage of patients within the topic to reach a weighted topic score that will be unique for each facility (76 FR 70265, 70275).	

d. Expanded NHSN Validation:

CMS also finalized the expansion of the NHSN validation to 150 facilities in PY 2021. CMS also finalized the adaptation of the CROWNWeb validation as a permanent feature of the program beginning in PY 2021.

e. Estimated Payment Reduction for the PY 2021 ESRD QIP

CMS is proposing that a facility that achieves a TPS below the minimum TPS that was set for PY 2021 would receive payment reduction based on the estimated TPS ranges indicated in the table below.

Estimated Payment Reduction Scale for PY 2021 Based on the Most Recently Available Data

Total performance score	Reduction (%)
100-57	0.0%
56-47	0.5%
46-37	1.0%
36-27	1.5%
26-0	2.0%

f. Requirements for the PY 2022 ESRD QIP

CMS will adopt two new measures beginning with the PY 2022 ESRD QIP:

- Percentage of Prevalent Patients Waitlisted (PPPW), and
- Medication Reconciliation for Patients Receiving Care at Dialysis Facilities (MedRec).

Final Comment

The quality section has many other facets that are not discussed in the summary. For example, the final rule contains numerous PY 2024 items as well.

The payment updates appear straight forward, simple and understandable. The quality material is complex and complicated, at least looking at it from a financial and not clinical perspective.

Our Washington liaison, Larry Goldberg of Larry Goldberg Consulting, has provided us with this summary and comments. For questions, please contact Jeff Weegar, NCHA, at 919-644-4231, jweegar@ncha.org or Ronnie Cook, NCHA, at 919-677-4225, rcook@ncha.org.