



Study Highlights

The National Renal Administrators Association (NRAA) commissioned Dobson | DaVanzo & Associates to examine the accuracy of Medicare ESRD PPS rate setting as influenced by dialysis provider Medicare Cost Reports (MCRs).

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STUDY HIGHLIGHTS

CHARTING MEDICARE COST REPORT INFLUENCE ON THE ESRD PPS

Analysis of CMS Payment Setting Procedures, Underlying Data and Policy Implications

Dobson | DaVanzo has been commissioned by the National Renal Administrators Association to examine the link between Medicare Cost Reports by dialysis providers and the Medicare End Stage Renal Disease Prospective Payment System (ESRD PPS). A qualitative and quantitative analyses as well as a Technical Expert Panel for input on cost reporting practices that contribute to ESRD PPS payment rate setting.

The following points outline key findings from our study:

FINDING #1: Comorbidities are underreported, especially by freestanding dialysis facilities, resulting in potentially inaccurate and routine underpayment to providers

Anecdotal evidence from our Technical Expert Panel and our literature review, which align with analysis from the Medicare Payment Advisory Commission (MedPAC), suggest that:

- ESRD PPS comorbidity adjusters are difficult to document and therefore comorbidity payment adjustments are rarely made, especially to freestanding facilities.
- Inclusion of the comorbidity adjustments in the ESRD PPS results in inaccurate provider payment.

FINDING #2: The low-volume adjustments in the ESRD PPS may not accurately reflect costs or be adequate to support facilities with low treatment volume.

Anecdotal evidence from the TEP indicates that:

- Low-volume facilities may be kept in operation despite their negative return on investment because of the broader health system belief in their public health value.
- Facilities may not be started at all because of the expected negative returns, thereby potentially jeopardizing beneficiary access to life-sustaining dialysis treatment.

FINDING #3: The rural and low-volume adjustments in the ESRD PPS may not effectively target facilities in need.

Our analysis suggests that overall the low-volume adjustment appears to capture only a portion (about one-third) of facilities reporting fewer than 4,000 treatments in 2016 - the low-volume adjuster threshold amount.

- Facilities with less than 4,000 treatments that did not receive the low-volume adjustment (about 8.0% of the industry) had higher average composite rate services cost per treatment than facilities that reported receiving the low-volume adjustment - a 13% differential based on the median.
- Anecdotal evidence concerning the operation of rural facilities suggests that effectiveness of the rural payment adjuster in targeting facilities in need is questionable.

FINDING #4: Hospital cost reports had most of the data misreporting, inaccuracy, and inconsistency issues in the system despite representing only 6% of the dialysis industry.

Our analysis found numerous differences in the construction of hospital cost reports, including:

- Use of two different worksheets for reporting treatment costs and cost components for composite rate services
- Aggregation of multiple facilities' data on a single cost report worksheet
- Significant variance in reporting of overhead costs compared to freestanding facilities.

FINDING #5: Given home training costs are in the cost report, CMS uses third party data and guidelines for the determination of the training add-on; however, it does not accurately reflect clinical practice for home dialysis training costs and therefore likely underpays providers for these services.

Specifically, anecdotal evidence from the TEP suggests that Medicare cost reports do not sufficiently capture home dialysis training costs and the 2.66 training hours assumed currently in the ESRD PPS do not reflect actual home dialysis training hours experienced by providers in the range of 7.5 to 8 hours.

In light of the analyses presented in this paper, we note that viewing payments purely through the lens of the Medicare Cost Report (MCR) shows certain key data issues may distort the appraisal of payment system accuracy and adequacy for some sectors and, more broadly, may have implications for how ESRD PPS payment adjusters are applied. We also note certain data anomalies and trace these back to particular issues in data misreporting or the structure of the cost report itself.

Download the full report, including findings and recommendations at NRAA.org