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CMS Implements Value-Based Payment System for Dialysis Facilities

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The Centers for Medicare & Medicaid Services (CMS) issued a final rule [PDF] on December 29, 2010 that establishes performance standards for dialysis facilities and providers (e.g., hospital-based dialysis programs) (collectively, "facilities" for this article), and provides payment adjustments to individual End-Stage Renal Disease (ESRD) facilities based on how well they meet these standards. The ESRD Quality Incentive Program (QIP) links CMS payments directly to facility performance on certain quality measures.

The ESRD QIP was mandated by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) as a companion to the ESRD Prospective Payment System (PPS), which became effective on January 1, 2011. The final rule issued on December 29, 2010 establishes the ESRD QIP performance standards, sets out the scoring methodology CMS will use to rate providers' quality of dialysis care, and establishes a sliding scale for payment adjustments based on the facility's performance.

The period of performance under which facilities will be evaluated is payment year (PY) 2010 (January 1, 2010 through December 31, 2010). The final rule explains that CMS will give providers and facilities the opportunity to review their scores and any resulting payment adjustments prior releasing the ESRD QIP scores and payment reductions publicly. The ESRD QIP payment adjustments will apply to payments under the ESRD PPS for outpatient maintenance dialysis items and services furnished to Medicare beneficiaries by ESRD facilities in PY 2012 (January 1, 2012 to December 31, 2012).

According to the final rule, after ESRD facility scores and payment determinations are finalized, CMS will furnish each facility with a PY 2012 certificate noting the facility's Total Performance Score as well as its score on each individual measure.

Each facility is required to post its certificate in a prominent location in a patient care area for the duration of the payment year. CMS will furnish each facility with a new certificate annually. In addition, CMS will post on the internet, on the Dialysis Facility Compare (DFC) website, each facility's Total Performance Score, as well as the scores that facilities earned on the individual measures.

For payments rendered during ESRD QIP PY 2012, CMS will assess facility performance on three key quality of care measures considered by CMS to be important indicators of patient outcomes:

1. The percentage of patients whose hemoglobin levels dipped under 10 g/dL. CMS assigns this measure the greatest weight in facility performance calculation (Weight = 50%);

2. The percentage of patients whose hemoglobin levels exceeded 12 g/dL. CMS believes that numbers greater than 12 g/dL could suggest unnecessary or excessive administration of certain drugs. (Weight = 25%);

3. The percentage of patients who achieve a urea reduction ratio (URR) of 65% or greater at each facility. (Weight = 25%)

Facilities can earn a maximum of 10 points for each of the three measures, based on their performance on the established performance standard for each measure. The highest possible "Total Performance Score" any facility can earn is 30 points. CMS will subtract two points for each percentage point that the facility performs below the performance standard. The maximum payment reduction a facility could be subject to is 2.0 percent, which would apply only to facilities with a Total Performance Score of 10 points or lower. Facilities with a total performance score of 26 points or greater would not be subject to any payment reduction in PY 2012, while facilities with between 21-25 points will be subject to a 0.5% reduction, between 16-20 points will be subject to a 1% reduction, and between 11-15 points will be subject to a 1.5% reduction. CMS will apply the weights to the measures and calculate the total weighted performance scores for each measure. Finally,

CMS will sum the resulting scores for each of the three weighted measures to arrive at the facility's Total Performance Score.

A facility must have a minimum of 11 reportable cases to receive a score on each measure, and must receive a score on all three measures in order to receive a Total Performance Score.

In accordance with a "special rule" mandated by MIPPA, for PY 2012 the Total Performance Score will be generated by comparing each facility's performance on three quality measures in PY 2010 with the lesser of the national average performance on the measure in 2008 or with that facility's performance on each measure during 2007. For those facilities that fail to meet or exceed the established performance standards, payment reductions will apply to all outpatient dialysis services and items furnished to Medicare beneficiaries by that facility including dialysis treatment, prescription drugs, and clinical laboratory tests and will remain in effect for the duration of PY 2012.

Ober|Kaler's Comments

ESRD providers are advised to carefully review its 2012 Certificate for accuracy and promptly notify their Medicare contractor of any discrepancies in the data used to calculate their Total Performance Score, as payment reductions of up to 2% may result from such errors, and inaccurate quality indicators may be publicly posted on the DFC website..