

CAPITOL STREET

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+2.3% Dialysis Proposed Pay Update 2025

Oral Drugs Will Be Included in Bundle, Per Law

Relevant Companies



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CMS dialysis pay for 2025 is in line (+2.3%) for large dialysis organizations (LDOs – DVA, FMS) with CMS moving ahead on incorporating oral drugs into the bundle (per statute). The agency will accept comments and final CY25 rates will be out around Nov 1. CMS released the proposed 2025 end-stage renal disease (ESRD) Prospective Payment System (PPS) rates after the close of the US markets today [here](#). New pay starts Jan. 1, 2025. See legislative updates below.

»» Key Points

The overall ESRD payment update is +2.2%, a \$170 M increase, in-line for LDOs — DVA, FMS. Medicare expects to pay \$7.2 billion to approximately 7,700 ESRD facilities for furnishing renal dialysis services. This includes updates to the outlier policy (+0.4%) and to the wage index (0.0%). For hospital-based facilities, CMS projects an increase in total payments of +3.9%. For freestanding facilities, CMS projects an increase in total payments of +2.1%.

Oral-only drugs will be included in the ESRD PPS bundled payment as per current law. Starting in 2025, payment to an ESRD facility for oral-only renal dialysis service drugs and biological products is included in the ESRD PPS bundled payment. This includes phosphate binders. CMS expects that incorporation of oral-only drugs and biological products into the PPS will increase access to these drugs, as CMS has seen previously that incorporating Part D drugs into the bundle has had a significant positive effect on expanding access to such drugs for beneficiaries who do not have Medicare Part D coverage, with significant positive health equity impacts.

Recall industry is trying to push oral only inclusion start date out by two years, but *PATIENT Act* passage is unlikely in 2024. On the legislative side, the *Kidney PATIENT (Patient Access to Technologically*

Innovative and Essential Nephrology Treatments) Act is progressing in the House, despite the lack of a Senate companion bill. The bill prohibits CMS from moving oral ESRD drugs into the bundle until 2027 (two-year delay), or until new intravenous therapies are FDA approved. The bill has bipartisan support but is likely costly, lowering odds of passage, unless offsets are found. The Act passed out of both the House Energy & Commerce (Chair McMorris Rodgers, R-WA) and Ways & Means Committee (Chair Smith, R-MO) in March 2024.

The proposed CY 2025 ESRD base rate is \$273.20, +\$2.18 to the current base rate of \$271.02, reflecting the wage index budget-neutrality adjustment factor (0.990228) and a productivity-adjusted market basket percentage increase of +1.8%. Total Medicare spending for ESRD facilities in 2025 is projected to be \$7.2 B.

A new ESRD-specific wage index is proposed. CMS is proposing an ESRD-specific wage index for use, instead of using the hospital wage index values for each geographic area, which are derived from hospital cost report data. This index would use mean hourly wage data from the Bureau of Labor Statistics (BLS) Occupation Employment and Wage Statistics (OEWS) program and full time equivalent (FTE) labor and treatment volume data from freestanding ESRD facility Medicare cost reports.

ESRD outlier services could be expanded. CMS is proposing to change the definition of ESRD outlier services to include drugs and biological products that were or would have been included in the composite rate prior to establishment of the ESRD PPS. The inclusion of composite rate drugs and biological products would include more costs in the calculation of the ESRD PPS outlier adjustment for each case leading to fewer claims would qualify for outlier payments. However, the amount of outlier payment per claim would be higher.

Expansion of home dialysis coverage for acute kidney injury (AKI) is under consideration. Under current Medicare regulations, CMS covers only in-center hemodialysis for beneficiaries with acute kidney injury (AKI) who are not hospitalized. The payment amount for home dialysis for AKI beneficiaries would be the same as the payment amount for in-center dialysis for AKI beneficiaries.

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