CAPITOL STREET

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+1.9% Dialysis (LDO) Pay Update 2027

Phosphate Binders Exit TDAPA, Enter Base Rate

Relevant Companies

CARA THERAPEUTICS, FRESENIUS MEDICAL CARE, Akebia THERAPEUTICS, CorMedix, DaVita Kidney Care

Our Take & Next Up

CMS released the proposed 2027 rule for dialysis providers, with an upbeat +1.9% pay boost for LDOs (here). The dialysis payment system provides a bundled, per-treatment payment to ESRD facilities that includes all renal dialysis services furnished for outpatient maintenance dialysis, including drugs and biological products. The overall payment update is +1.1% with large dialysis organizations (LDOs) projected to see a +1.9% increase in payment. CMS also included 3 RFIs seeking input on home and palliative dialysis and alternative dialysis schedules.

Key Points

The overall ESRD payment update to all facilities is +1.1%, a $90 M increase, positive for dialysis facilities. The Medicare ESRD base rate and rate for AKI (acute kidney injury) treatment would be updated by 1.6% based on the proposed CY 2027 ESRD MB (market basket) percentage increase of +2.6% reduced by the proposed 2027 productivity adjustment of 1.0%, for a net update of 1.6%. The 1.6 percent market basket update adds ~$130 M.

Large dialysis organizations (LDOs) are projected to receive a +1.9% increase in payment. For hospital-based facilities, CMS projects an increase in total payments of +2.0%. For free-standing facilities, CMS projects an increase in total payment of +1.1%. For CY 2027, Medicare expects to pay a total of $6.2 B to ~7,551 ESRD facilities.

As phosphate binders became a routine, recurring ESRD drug cost, CMS proposes bundling them permanently into the base rate beginning CY 2027. Oral phosphate binders have been paid under the TDAPA since January 1, 2025. The TDAPA period for phosphate binders ends in CY26. Bundling them into the base rate would add $15.96 per treatment. This closes out $430M in annual TDAPA spending on phosphate binders.

CMS is proposing technical modifications to better align the TDAPA and post-TDAPA add-on payment with actual drug costs and there will be no TPNIES payments for CY27. Recall, TDAPA is a 2-year temporary payment for new dialysis drugs. Beginning in 2024, CMS added a 3-year post-TDAPA payment

adjustment that starts after TDAPA ends to help maintain reimbursement as the drug transitions into the dialysis payment bundle. CMS also has the authority to implement a transitional add-on payment for certain new and innovative equipment and supplies (TPNIES); however, there will be no TPNIES payments for CY 2027 as there were no TPNIES applications submitted and no products eligible for continuing payments.

- If current Average Sales Price (ASP) data aren't usable, such as when manufacturers report zero or negative sales, CMS proposes using older ASP data instead.
- CMS is also proposing to update the extra payment that follows the TDAPA every quarter, rather than less frequently, so the payment is based on the latest available drug prices and usage data.
- TDAPA payments for DefenCath (CRMD), Vafseo (AKBA), and oral-only phosphate binders have transitioned to post-TDAPA add-on payments or, in the case of phosphate binders, permanent inclusion in the base rate; Korsuva exits the post-TDAPA adjustment after Q1 2027.

To help smaller dialysis providers, CMS proposes to increase the low-volume payment adjustment (LVPA) volume threshold from 4,000 to 8,000. This would expand the low-volume payment adjustment from the current two-tier structure (4,000 treatments per year) to a six-tier system covering facilities that furnish up to 8,000 treatments per year. CMS notes that facilities furnished 4,000-10,000 treatments have costs exceeding Medicare payments, and highlights the increase in smaller facility closures. Under this proposal, ~1,489 facilities would be newly eligible.

The agency proposes to modify the adjustments for pediatric ESRD patients given the Transitional Pediatric ESRD Add-on Payment Adjustment (TPEAPA) expires Dec 2026. The agency aims to implement this by two permanent replacement policies: 1) revised case-mix adjusters for pediatric patients 2) allowing pediatric facilities to receive the LVPA (previously unavailable to them).

The agency proposes to increase payment for home and self-dialysis and allow the add-on payment during the first four months of treatment. CMS proposes to raise the home and self-dialysis training add-on from $95.60 to $138.22 (+45%) based on updated BLS (bureau of labor statistics) wage data for RN hours, and to allow the add-on during the onset period (first 120 days of dialysis), reversing a longstanding exclusion CMS now views as outdated given the reduced onset adjustment factor.

New RFIs seek input on how to incentivize greater home dialysis uptake, support patients opting for palliative over standard dialysis, and evaluate whether payment policy should accommodate alternative schedules such as more frequent or shorter sessions. Only 15% of ESRD patients are currently on home dialysis despite 40–50% patient interest, a gap flagged in a recent W&M hearing as a structural failure.

CMS is also requesting feedback on potential inclusion of the dialysis facility discussion of patient life goals patient-reported outcome performance measure (D-PaLS PRO-PM) in the ESRD QIP. The measure would assess whether dialysis facilities are having documented conversations with patients about their life goals, preferences, and care priorities.

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