CAPITOL STREET

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+2% Dialysis Final Pay Update 2024

Better for LDOs but CMS Requests Data for Likely Future Rebase

Relevant Companies

CMS released the final 2024 end-stage renal disease (ESRD) Prospective Payment System (PPS) rates after the close of the US markets today here.

Our Take & Next Up

Final dialysis pay to LDOs is +40 bps (from proposed) and new rates start Jan. 2024. CMS dialysis final pay for 2024 is incrementally better for large dialysis organizations (LDOs – DVA, FMS) and biopharma manufacturers (AMGN, CSL Vifor, others). CMS will provide generous pay for pediatric dialysis sessions (<2% patients are under 18 years old) and rural/low volume facilities for ‘24. Biologics and drugs will also be reimbursed after the two-year TDAPA period at 65% of estimated expenditure levels. More negatively, the agency finalized policies to measure hemodialysis “time on machine” for likely pay refinements in future PPS pay regulations (starts 2025), as well as discarded/unused biologics used during dialysis sessions.

Key Points

CMS increases ESRD payment to +2.1% (vs proposed +1.6%), a $190 M increase to all facilities, positive for LDOs — DVA, FMS. Specifically, LDOs payment increases +2.0% (vs proposed +1.6%). Both outlier policy and wage index changes are held at 0.0%. For hospital-based facilities, CMS projects an increase in total payments of +3.4% (vs proposed +2.6%). For freestanding facilities, CMS projects an increase in total payments of +2.1% (vs proposed +1.6%).

The final 2024 ESRD base rate is $271.02 (vs proposed $269.99), an increase from the current base rate of $265.57, reflecting the wage index budget neutrality adjustment factor, a proposed transitional pediatric ESRD add-on payment adjustment (TPEAPA) budget neutrality factor, and a productivity-adjusted MB of +2.1% (vs proposed +1.7%). Total Medicare spending for ESRD facilities in 2024 is projected to be $6.7 B (vs proposed $6.4 B). This considers a projected decrease in FFS Medicare ESRD beneficiary enrollment of 4.3% in 2024. There will be an increase in beneficiary co-insurance payments of +2.1% (vs proposed +1.6%), approximately $40 M in 2024.

CMS includes helpful policies for LDOs and/or MedTech/Biopharma co’s. This is the same as proposed.

- **CMS finalized increased payment for 3-years for certain new renal dialysis drugs and biological products after the Transitional Drug Add-on Payment Adjustment (TDAPA) period ends**. CMS will include an increase to ensure payment is not a barrier to accessing innovative treatments for Medicare ESRD beneficiaries. The 3-year period allows for a pathway to 5 years of incremental coverage by Medicare. This payment adjustment will be case-mix adjusted and set at 65% of expenditure levels for the given renal dialysis drug or biologic product.

- **As proposed, the post-TDAPA add-on payment adjustment for Korsuva (Cara) would begin to be paid on April 1, 2024 and would end no later than March 31, 2027.** Korsuva is used for the treatment of moderate-to-severe pruritus associated with CKD. Korsuva's current TDAPA payment period will continue through March 2024. Jesduvroq (GSK), used for the treatment of anemia due to CKD, TDAPA period will continue through September 2025.
- **CMS finalized the proposal to allow ESRD facilities impacted by a disaster or other emergency to apply for an exception from the treatment volume threshold requirement Low-Volume Payment Adjustment (LVPA).** The current amount of the LVPA is 23.9%, which was finalized in CY 2016. CMS finalized the deadline for requesting the exception to be either the annual attestation deadline or 30 days after the end of the cost-reporting year for the ESRD facility is attesting, whichever is later.
- **CMS finalized the establishment of a 30% add-on payment adjustment for transitional pediatric ESRD.** This payment adjustment, TPEAPA, is per treatment payment amount for renal dialysis services furnished to Pediatric ESRD patients effective CYs 2024, 2025, and 2026. It is expected to promote equitable/accurate pay, since treatment for the pediatric ESRD population tends to be complex, costly.

On the negative side, CMS finalized policies for additional reporting requirements to assess accuracy of payments, for potential future rulemaking, which could lead to refinements over time.

- **CMS will measure "time on machine" for in-center hemodialysis patients (Jan 1, 2025) for future PPS payment refinements.** CMS will require ESRD facilities to report "time on machine," which is the amount of time in minutes that a beneficiary spends receiving an in-center hemodialysis treatment, on ESRD PPS claims.
- **ESRD facilities must also report information (2024) on claims about the total number of billing units of any discarded amount of a renal dialysis drug or biological product from a single-dose container or single-use package**, using the JW or JZ modifier. Facilities must also report the JW or JZ modifier on claims when billing for any drug or biological product from a single-dose container or single-use package for which there is no discarded amount.

The final rule will produce no change in net savings for the CMMI ESRD Treatment Choice (ETC) Model ($28 M in net savings over the 6.5-year duration). As a reminder, the ETC model is a mandatory payment model designed to test payment adjustments to certain dialysis and dialysis-related payments. This program began in 2021 and is set to run until June 30, 2027. Participation in the model is mandatory for ESRD facilities and managing clinicians in 30% of the randomly selected hospital referral regions (HRR).

See our recent memo for updates on the kidney care demonstration side of CMMI, which includes details on two models (Kidney Care Choices and ESRD Treatment Choices). In addition, we profile legislation looming in Congress impacting dialysis and kidney care. View memo here.

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