

Unintended Consequences of the Proposed Incident Case Mix Adjuster

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INTRODUCTION

On July 26, 2010 the Centers for Medicare & Medicaid Services released the final rules for the prospective payment of dialysis services (the "bundle"), which will take effect on January 1, 2011. As per legislative mandate, the final rule included a set of case mix adjusters (CMAs) which modify the base payment to account for more costly patients.

Of the 11 CMAs included in the final rules (Table 1), the highest is for patients who are in the first 120 days of renal replacement therapy. These patients receive a 51% increase in payment during these first four months (CMA=1.510). During this period, no other co-morbid CMAs are applied.

Our objective was to analyze the cost of patients during the first 120 days of dialysis treatment to determine the degree to which their costs exceeded those of prevalent patients.

METHODOLOGY

- We calculated mean Medicare dialysis reimbursement for incident patients in calendar years 2007, 2008 and 2009 (N=3,831) at a large US dialysis organization.
- We compared this to average reimbursement for prevalent patients (N=154,851) and calculated average incremental cost per treatment for the first 120 days.
- We modeled the population effect of the difference between the CMS incident patient CMA, and the CMA calculated based on actual Medicare reimbursement shown here.
- The analysis excludes costs of oral drugs and lab tests, which are likely to have a minor impact.

RESULTS

Table 1. Final Case Mix Adjusters

Patient and facility characteristic	Base Rate Adjuster
Facility size: 4,000 treatments each year from 06-08	1.189
Age	
18-44	1.171
45-59	1.013
60-69	1.000
70-79	1.011
80+	1.016
Body surface area	1.020
BMI < 18.5	1.025
Onset of renal dialysis: ≤ 4 mo	1.510
<i>Acute</i>	
Pericarditis	1.114
Bacterial pneumonia	1.135
GI bleed in with hemorrhage	1.183
<i>Chronic</i>	
Hereditary hemolytic or sickle cell anemias	1.072
Myelodysplastic syndrome	1.099
Monoclonal gammopathy	1.024

Shading indicates that only one of these CMAs can be applied in a month

Table 2. Medicare Reimbursement for Incident and Prevalent Patients

YEAR	MEAN COST PER TREATMENT		Incident increment
	Incident (1 st 120 days)	Prevalent (> 120 days)	
2007	\$282.33	\$245.02	13.2%
2008	\$270.21	\$239.01	11.5%
2009	\$269.97	\$241.26	10.6%
All	\$273.82	\$241.72	11.7%

SUMMARY of RESULTS

- The actual increment in Medicare reimbursement for the first 120 days of treatment is 11.7% (Table 2).
- We applied the resultant 1.117 CMA to the first 120 days of treatment in the 5.6% of incident patients (estimated in the NPRM).
- Adding the 2% total payment reduction mandated by MIPPA, but not taking into account other case mix adjusters, a 5% reduction in base payment per treatment is necessary to make the incident patient adjuster 'budget neutral'.

KEY LEARNINGS

- ✓ The first 120 days of dialysis reimbursement are 11.7% higher than prevalent reimbursement, substantially lower than the 51% proposed in the final rules.
- ✓ The monies taken out of the base payment for the incident adjuster are excessive.
- ✓ These calculations do not take into consideration the multiplier effect that would result when the 1.117 is multiplied by the other non co-morbid CMAs, all of which are also positive.
- ✓ CMS should reduce the incident case mix adjuster weighting when updating the prospective payment system to correct for this.

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