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## MEMORANDUM

**TO:** Members Providing ESRD Services

**FROM:** Patrick Cucinelli, Senior Financial Policy Analyst

**DATE:** October 1, 2009

**SUBJECT:** **ESRD Prospective Payment System**

**ROUTE TO:** Administrator, CFO

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ABSTRACT: CMS issues proposed rule on ESRD PPS.

### Introduction

The [\*September 29, 2009 Federal Register Vol. 74 No. 187\*](#) contains a proposed rule entitled: *Medicare Programs: End-Stage Renal Disease Prospective Payment System*. This proposal seeks to implement a case-mix adjusted bundled prospective payment system (PPS) for Medicare outpatient end-stage renal disease (ESRD) dialysis facilities beginning January 1, 2011.

### CMS Proposal

Under Section 153(a) Public Law 110-275, of the Medicare Improvement for Patients and Providers Act of 2008 (MIPPA), Congress mandates that the Centers for Medicare and Medicaid Services (CMS) implement a payment system under which a single payment is made to providers of renal dialysis.

Under the current system, Medicare payment to ESRD facilities for outpatient maintenance services is based on a composite rate that covers the cost of the treatment and certain routine drugs, laboratory tests, and supplies furnished at home or in a facility. Other items and services, particularly injectable drugs (for example, erythropoietin (EPO), iron sucrose, vitamin D), and non-routine laboratory tests are not included in the composite rate and are billed separately to Medicare. According to CMS these other items and services constitute 40 percent of the payments for outpatient dialysis services.

Effective January 1, 2011, CMS will begin phasing in the bundling of all these dialysis services into a single ESRD PPS. Analogous to the phase-in of the skilled nursing facility PPS, there will be a 4-year transition period, with full implementation beginning January 1, 2014. ESRD facilities may make a one-time election to be excluded from the transition and accept payment entirely based on the payment amount under the ESRD PPS. During the transition, ESRD facilities will be paid a blend of the ESRD PPS and the current payment system.

CMS has a comprehensive Web resource on the ESRD PPS available at: <http://www.cms.hhs.gov/ESRDPayment/>. The CMS resource includes their report to Congress on the design of the ESRD PPS at: [Report to Congress: A Design for a Bundled ESRD PPS](#). The comment deadline for the proposed rule is no later than 5:00 p.m. on November 16, 2009.

Please contact me with any questions at [pcucinelli@nyahsa.org](mailto:pcucinelli@nyahsa.org) or call 518-449-2707 ext. 145.