

MLN Matters Number: MM4291 **Revised**

Related Change Request (CR) #: 4291

Related CR Release Date: February 10, 2006

Effective Date: January 1, 2006

Related CR Transmittal #: R849CP

Implementation Date: February 13, 2006

## MMA - Update to the ESRD Composite Payment Rates

**Note:** This article was updated on October 24, 2012, to reflect current Web addresses. This article was previously revised to include a reference to MLN Matters®, MM7064, at <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/MM7064.pdf> regarding where to get information on the new ESRD PPS and consolidated billing for limited Part B services. All other information remains unchanged.

### Provider Types Affected

Providers billing Medicare fiscal intermediaries (FIs) for End Stage Renal Disease (ESRD) dialysis services

### Provider Action Needed



#### **STOP – Impact to You**

This article is based on Change Request (CR) 4291, which supplements CR4196 (Transmittal 774), dated December 2, 2005, titled “Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year 2006.”

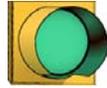


#### **CAUTION – What You Need to Know**

Effective January 1, 2006, the base composite payment rates will be **increased** to \$130.40 for independent ESRD facilities, and \$134.53 for hospital-based ESRD facilities. Using the updated composite payment rates, the updated drug add-on adjustment is 12.9 percent. The inflation adjustment of 1.4 percent is unchanged. Therefore, the total drug add-on adjustment for 2006 is 14.5 percent instead of the 14.7 percent indicated in CR4196. In addition, effective January 1, 2006, both hospital-based and independent ESRD facilities will be paid Average Sales Price (ASP) + 6 percent for all separately billable drugs except vaccines.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.



## GO – What You Need to Do

See the *Background* section of this article for further details regarding this change.

## Background

---

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA, Section 623) mandates that the composite payment rates, as increased by the 1.6 percent, must also include a drug add-on adjustment in the amount of 8.7 percent for the difference between the payment amounts for separately billable drugs and biologicals and their acquisition costs as determined by Inspector General reports. Therefore, Congress has amended the Social Security Act (Section 1881(b)(12), [http://www.ssa.gov/OP\\_Home/ssact/title18/1881.htm](http://www.ssa.gov/OP_Home/ssact/title18/1881.htm)) to provide for a 1.6 percent update to the ESRD composite payment rate, effective for dialysis treatments furnished on or after January 1, 2006.

**Note:** Change Request (CR) 4291 supplements CR4196 (Transmittal 774, dated December 2, 2005, <http://cms.hhs.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R774CP.pdf>), which implements other changes to the composite rate payment system for calendar year 2006.

Because of the short time period from the recently enacted statute and the effective date, this change request is being issued to instruct Medicare FIs to implement the change in the basic composite payment rates for ESRD facilities.

Effective January 1, 2006, the base composite payment rates will be **increased** to:

- \$130.40 for independent ESRD facilities; and
- \$134.53 for hospital-based ESRD facilities.

The Centers for Medicare & Medicaid Services (CMS) has also updated the wage adjusted composite rate table that reflects the “old” wage data and Core Based Statistical Area (CBSA) designations for purposes of calculating the blended wage adjusted composite payment rates for 2006. (See the table (Composite Payment Rates Effective January 1, 2006) attached to CR4291).

In addition, because the drug add-on adjustment is determined as a percentage of the composite rate, it was necessary to adjust the drug add-on percentage to account for the 1.6 percent increase in the composite payment rate in order to ensure that the total dollars allocated from the drug add-on adjustment remains constant. Using the updated composite payment rates, the updated drug add-on adjustment is 12.9 percent. The inflation adjustment of 1.4 percent is unchanged. Therefore, **the total drug add-on adjustment to the composite payment rate for 2006 is 14.5 percent instead of the 14.7 percent indicated in CR4196.**

Hospital-based facilities are paid at cost with applicable coinsurance and deductibles. Independent facilities are paid based on the lower of billed charges or

### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

95 percent Average Wholesale Price (AWP) for the calendar year 2004: coinsurance and deductibles are applied to billed charges. **Effective January 1, 2006, both hospital-based and independent ESRD facilities will be paid Average Sales Price (ASP) +6 percent for all separately billable drugs except vaccines.**

## Implementation

---

The implementation date for this instruction is February 13, 2006. Once this is implemented, Medicare intermediaries will reprocess 72X claims with dates of service on or after January 1, 2006, that were processed with the old Pricer in order to correct the payment. This reprocessing will be done by July 1, 2006.

## Additional Information

---

For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R849CP.pdf> on the CMS website.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.