



**Flu Shot Reminder** - As a respected source of health care information, patients trust their doctors' recommendations. If you have Medicare patients who haven't yet received their flu shot, help protect them by recommending an annual influenza and a one time pneumococcal vaccination. Medicare provides coverage for flu and pneumococcal vaccines and their administration. – And don't forget to immunize yourself and your staff. Protect yourself, your patients, and your family and friends. Get Your Flu Shot. Remember - Influenza vaccination is a covered Part B benefit. Note that influenza vaccine is NOT a Part D covered drug. For more information about Medicare's coverage of adult immunizations and educational resources <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/SE0667.pdf>, on the CMS website. .

MLN Matters Number: MM5407 Revised

Related Change Request (CR) #: 5407

Related CR Release Date: November 24, 2006

Effective Date: January 1, 2007

Related CR Transmittal #: R61BP

Implementation Date: January 2, 2007

**Note:** This article was updated on October 31, 2012, to reflect current Web addresses. This article was previously revised to add a reference to MLN Matters article MM7064 which advises providers of outpatient dialysis treatment where to get information on the new ESRD PPS and consolidated billing for limited Part B services. MM7064 may be found at <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/MM7064.pdf> on the CMS website.

## Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2007

### Provider Types Affected

Medicare certified ESRD facilities billing Medicare fiscal intermediaries (FIs) or Part A/B Medicare Administrative Contractors (A/B MACs) for End Stage Renal Disease (ESRD) dialysis services.

### What You Need to Know

CR 5407, from which this article is taken, notes that for calendar year (CY) 2007, there are no significant changes to the End Stage Renal Disease (ESRD) composite rate payment methodology; but announces that the Centers for Medicare & Medicaid Services (CMS) made two updates: 1) To the drug add-on adjustment to the composite rate; and 2) To the wage index and transition.

#### 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.

## Background

---

Section 1881(b) of the Social Security Act (as amended by section 623 of the Medicare Modernization Act (MMA)) directed CMS to make a number of revisions to the ESRD composite rate payment system, as well as to the payment for separately billable drugs furnished by ESRD facilities.

For calendar year (CY) 2007 CMS did not propose any significant changes to the composite rate payment methodology, but did make the following updates:

1. An update to the drug add-on adjustment to the composite rate; and
2. An update to the wage index and transition.

### *Drug add-on adjustment*

MMA Section 623 established the ESRD composite payment rate's drug add-on adjustment to account for the difference between 1) Payment amounts for separately billable drugs under pre-MMA payments, and 2) The new payment methodology established under Section 623.

The current add-on adjustment is 14.5% and includes a 1.4% update for 2006. CR 5407 announces that for CY 2007, the drug add-on adjustment to the composite payment rate is 0.5%. As a result, the drug add-on adjustment for 2007 will increase from 14.5% to 15.1% ( $1.145 \times 1.005$ ).

Also, note that there are no changes to the current CMS policy for payment of separately billed ESRD drugs. Therefore, for CY 2007, payment for separately billable drugs furnished by ESRD facilities will continue at average sales price (ASP) +6%.

### *Wage index and transition*

CR 5407 also announces an update to the wage index adjustment to reflect the latest hospital wage data, including a budget neutrality adjustment to the wage index for CY 2007 (the second year of the 4-year transition period). Consistent with the transition blends, CMS is implementing a 50/50 blend between an ESRD facility's Metropolitan Statistical Area (MSA) based composite rate, and its CY 2007 core based statistical area (CBSA) based rate reflecting its revised wage index values.

Also, for CY 2007, CMS is reducing the wage index floor from 0.85 to 0.80, so after applying a budget neutrality adjustment of 1.052818, the wage index floor is 0.8423.

#### 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.

## Additional Information

---

You can find more information about the End Stage Renal Disease (ESRD) payment for CY 2007 by going to CR 5407, located at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R61BP.pdf> on the CMS website. You will find the updated Medicare Benefit Policy Manual, Chapter 11 (End Stage Renal Disease (ESRD)), Section 30.5.1 (New ESRD Composite Payment Rates) as an attachment to that CR.

If you have any questions, please contact your FI or A/B MAC 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.