

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



REVISED product from the Medicare Learning Network® (MLN)

- [“Contractor Entities At A Glance: Who May Contact You About Specific Centers for Medicare & Medicaid Services \(CMS\) Activities”](#), Educational Tool, ICN 906983, downloadable

MLN Matters® Number: MM8472 **Revised**

Related Change Request (CR) #: CR 8472

Related CR Release Date: December 13, 2013

Effective Date: January 1, 2014

Related CR Transmittal #: R177BP and R2839CP

Implementation Date: January 6, 2014

## **Implementation of Changes in the End-Stage Renal Disease Prospective Payment System (ESRD PPS) for Calendar Year (CY) 2014**

**Note:** This article was revised on December 17, 2013, to reflect the revised CR8472 issued on December 13. In the article, the CR release date, transmittal numbers and the Web addresses for accessing the CR were revised. All other information remains the same.

### **Provider Types Affected**

This MLN Matters® Article is intended for End Stage Renal Disease (ESRD) facilities submitting claims to Medicare Administration Contractors (MACs) for ESRD services provided to Medicare beneficiaries.

### **Provider Action Needed**

This article is based on Change Request (CR) 8472 which implements the fourth year of the ESRD Prospective Payment System (PPS) 4-year transition period and the Calendar Year (CY) 2014 rate

#### **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. CPT only copyright 2012 American Medical Association.

updates for the ESRD PPS. See the Background and Additional Information Sections of this article for further details regarding these changes, and make sure that your billing staffs are aware of these changes for 2014.

## Background

---

In accordance with the Medicare Improvements for Patients and Providers Act (MIPPA; Section 153(b)), the Centers for Medicare & Medicaid Services (CMS) implemented the End Stage Renal Disease (ESRD) bundled Prospective Payment System (PPS) effective January 1, 2011. You can review MIPPA (Section 153(b)) at <http://www.gpo.gov/fdsys/pkg/PLAW-110publ275/pdf/PLAW-110publ275.pdf> on the Internet.

Calendar Year (CY) 2014 implements the fourth year of the transition where all ESRD facilities will be paid 100 percent of the ESRD PPS payment amount. Accordingly, a blended rate of the basic case-mix composite rate payment system and the ESRD PPS will no longer be provided, and there will no longer be a transition budget neutrality adjustment factor applied to the payment. Therefore, it is no longer necessary to update the basic case-mix adjusted composite rate payment system.

MIPPA, Section 153(b), was amended by the Affordable Care Act (Section 3401(h); see <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>), and stated that for 2012 (and each subsequent year), the Secretary of Health and Human Services will reduce the ESRD bundled (ESRDB) market basket increase factor by a productivity adjustment described in the Social Security Act (Section 1886(b)(3)(B)(xi)(II); see [http://www.ssa.gov/OP\\_Home/ssact/title18/1886.htm](http://www.ssa.gov/OP_Home/ssact/title18/1886.htm)). The ESRDB market basket increase factor minus the productivity adjustment will update the ESRD PPS base rate.

The Social Security Act (Section 1881(b)(14)(I), as added by the American Taxpayer Relief Act of 2012 (ATRA; Section 632(a); see <http://www.gpo.gov/fdsys/pkg/BILLS-112hr8eas/pdf/BILLS-112hr8eas.pdf>), requires that, for services furnished on or after January 1, 2014, CMS will make reductions to the single payment for renal dialysis services to reflect the CMS estimate of the change in the utilization of ESRD-related drugs and biologicals (excluding oral-only ESRD-related drugs) by comparing per patient utilization data from 2007 with such data from 2012.

### Calendar Year (CY) 2014 Rate Updates

For CY 2014, CMS will make the following updates to the CY 2013 ESRD PPS base rate:

1. The ESRDB market basket minus a productivity adjustment of 2.8 which results in \$247.09 ( $\$240.36 \times 1.028 = \$247.09$ ).
2. The wage index budget neutrality adjustment factor of 1.000454 which results in \$247.20 ( $\$247.09 \times 1.000454 = \$247.20$ ).
3. The home dialysis training add-on budget neutrality adjustment factor of 0.999912 which results in \$247.28 ( $\$247.20 \times 0.999912 = \$247.18$ ).

#### 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. CPT only copyright 2012 American Medical Association.

4. After the application of the ESRDB market basket, the wage index budget neutrality adjustment factor, and the home dialysis training add-on budget neutrality factor, the ESRD PPS base rate will be reduced by the drug utilization adjustment amount of \$8.16. Therefore, the ESRD PPS base rate for CY 2014 is \$239.02 ( $\$247.18 - \$8.16 = \$239.02$ ).

For CY 2014, CMS will make the following updates to the wage index:

1. The wage index adjustment will be updated to reflect the latest available wage data.
2. The wage index floor will be reduced from 0.50 to 0.45.

#### **Transition Budget Neutrality Adjustment**

Beginning CY 2014, there will no longer be a transition budget-neutrality adjustment.

#### **Home Dialysis Training Add-On Payment**

The home dialysis training add-on payment will increase from \$33.44 to \$50.16.

#### **Outlier Policy Changes**

For CY 2014, CMS will make the following updates to the average outlier service Medicare Allowable Payment (MAP) amount per treatment:

1. For adult patients, the adjusted average outlier service MAP amount per treatment is \$50.25.
2. For pediatric patients, average outlier service MAP amount per treatment is \$40.49.

For CY 2014, CMS will make the following updates to the fixed dollar loss amount that is added to the predicted MAP to determine the outlier threshold:

1. The fixed dollar loss amount is \$98.67 for adult patients.
2. The fixed dollar loss amount is \$54.01 for pediatric patients.

For CY 2014, CMS will make the following changes to the list of outlier services:

1. The ESRD-related Part D drugs which are based on the most recent prices retrieved from the Medicare Prescription Drug Plan Finder will be updated to reflect the most recent mean unit cost. The list of ESRD-related Part D drugs will also be updated to reflect the most recent list of ESRD-related Part D drugs that are eligible for outlier payment. (See attachment A of CR8472, which is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2839CP.pdf> on the CMS website.)
2. The mean dispensing fee of the National Drug Codes (NDC) qualifying for outlier consideration is revised to \$1.42 per NDC per month for claims with dates of service on or after January 1, 2014.

CR 8472 also revises the "Medicare Claims Processing Manual," (Chapter 8 (Section 20.1 (Calculation of the Basic Case-Mix Adjusted Composite Rate and the ESRD Prospective Payment System Rate); Section 50.8 (Training and Retraining); and Section 60.2.1.2 (Facilities Billing for ESRD Drugs and Biologicals Equivalent to Injectable Drugs)). The manual revisions are attached to CR8472.

#### **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. CPT only copyright 2012 American Medical Association.

## Additional Information

---

The official instruction, CR 8472, was issued to your MAC in two transmittals, which are available at at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R177BP.pdf> and <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2839CP.pdf> on the CMS website.

If you have any questions, please contact your 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.

**News Flash** - Generally, Medicare Part B covers one flu vaccination and its administration per flu season for beneficiaries without co-pay or deductible. Now is the perfect time to vaccinate beneficiaries. Health care providers are encouraged to get a flu vaccine to help protect themselves from the flu and to keep from spreading it to their family, co-workers, and patients. Note: The flu vaccine is not a Part D-covered drug. For more information, visit:

- [MLN Matters® Article #MM8433](#), “Influenza Vaccine Payment Allowances - Annual Update for 2013-2014 Season”
- [MLN Matters® Article #SE1336](#), “2013-2014 Influenza (Flu) Resources for Health Care Professionals”
- [HealthMap Vaccine Finder](#) - a free, online service where users can search for locations offering flu and other adult vaccines. While some providers may offer flu vaccines, those that don't can help their patients locate flu vaccines within their local community.

The CDC website for [Free Resources](#), including [prescription-style tear-pads](#) that allow you to give a customized flu shot reminder to patients at high-risk for complications from the flu.

### 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. CPT only copyright 2012 American Medical Association.