

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



Official CMS Information for  
Medicare Fee-For-Service Providers

# Composite Rate Portion of the End-Stage Renal Disease Prospective Payment System

PAYMENT SYSTEM FACT SHEET SERIES





composite rate portion and the ESRD PPS. The percentages for the blend of payments are as follows:

Transition Year	Composite Payment Rate Percent	End-Stage Renal Disease Prospective Payment System Percent
<b>Year one</b> January 1, 2011 – December 31, 2011	75	25
<b>Year two</b> January 1, 2012 – December 31, 2012	50	50
<b>Year three</b> January 1, 2013 – December 31, 2013	25	75
<b>Year four</b> January 1, 2014 – December 31, 2014		100

For calendar year (CY) 2011 and each year thereafter, ESRD facilities that elected to be reimbursed 100 percent based on the ESRD PPS will continue to be reimbursed 100 percent based on the ESRD PPS payment amount.

### Basic Case-Mix Adjusted Composite Rate

The basic case-mix adjusted composite rate covered ESRD-related items and services routinely used for outpatient maintenance dialysis treatments furnished to patients in Medicare-certified ESRD facilities or in their homes (e.g., items and services can include supplies and equipment used to administer dialysis in the ESRD facility or at a patient’s home, drugs, biologicals, laboratory tests, and support services). Prior to CY 2011, payment for all modalities of dialysis were made under the basic case-mix adjusted composite rate.

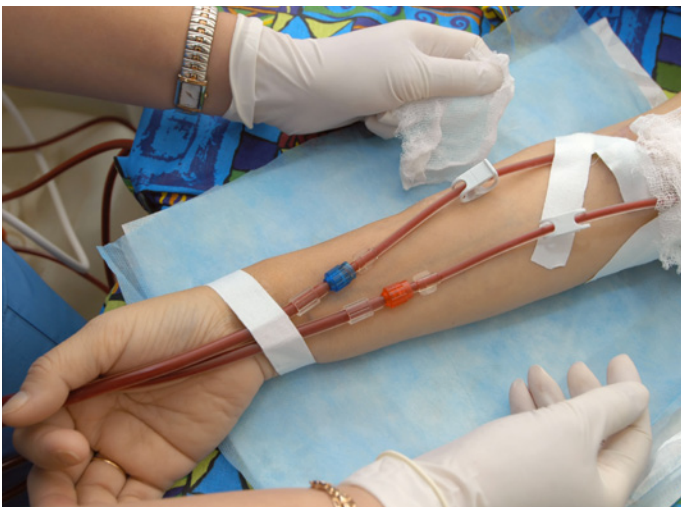
Under Method I, the ESRD facility with which the patient is associated must assume responsibility for providing all home dialysis equipment and supplies and home support services. For these services, the facility receives the same payment rate as it would receive for an in-facility patient. Under this arrangement, the ESRD facility bills the Fiscal Intermediary (FI), Medicare Carrier, or A/B Medicare Administrative Contractor, and the beneficiary is responsible for paying the ESRD facility any unmet Medicare Part B deductible amount and the 20 percent coinsurance requirement.

**T**his publication provides the following information about the composite rate portion of the End-Stage Renal Disease Prospective Payment System (ESRD PPS):

- ❖ ESRD PPS transition;
- ❖ Basic case-mix adjusted composite rate;
- ❖ Separately billable items and services;
- ❖ ESRD Quality Incentive Program (QIP); and
- ❖ Resources.

### End-Stage Renal Disease Prospective Payment System Transition

ESRD facilities that did not make an election to be paid 100 percent under the ESRD PPS on or before November 1, 2010, receive a blend of payments during the transition period. This blended payment is composed of the prior basic case-mix adjusted



Effective January 1, 2011, home dialysis items and services that were previously reimbursed under Method II are included in the ESRD PPS rate. All home dialysis claims with dates of service on or after January 1, 2011, must be submitted by the dialysis facility and will be processed as Method I claims.

## Composite Payment Rate Methodology Including Adjustment Factors

The basic case-mix adjusted composite rate portion of the ESRD PPS:

- ❖ Is applied on a per-treatment basis, with payments capped at an amount equal to three dialysis sessions per week;
- ❖ Is applicable for treatments furnished to Medicare beneficiaries for both in-facility and Method I home dialysis;
- ❖ Includes case-mix adjustments:
  - Age (<18, 18–44, 45–59, 60–69, 70–79, ≥80 years);
  - Body surface area (BSA). The Centers for Medicare & Medicaid Services (CMS) will use the latest national average (i.e., 1.87) to calculate the BSA adjustment for CY 2012 and subsequent years. Therefore, the national average of 1.87 will be used for computing the BSA under the basic case-mix adjusted composite payment system portion of the blend during the transition and under the ESRD PPS; and
  - Low body mass index;
- ❖ Includes geographic budget-neutral wage indices. The CY 2012 wage index floor is set at 0.5520;
- ❖ Includes a drug add-on adjustment, which accounts for the difference between payments for separately billable drugs and payments based on a revised drug pricing methodology and eliminates the difference between composite payment system costs and payments. The CY 2012 drug add-on adjustment to the composite rate is 14.3 percent (or a 0 update);
- ❖ Includes a training add-on (if applicable) for continuous ambulatory peritoneal dialysis; and



- ❖ Includes a training add-on (if applicable) for hemodialysis and continuous cycling peritoneal dialysis.

For CY 2012, the base composite rate (with the addition of the CY 2011 Part D per-treatment add-on amount of \$0.49) was updated by the ESRD bundled market basket minus a productivity adjustment, which resulted in an increase of 2.1 percent ( $\$139.02 \times 1.021 = \$141.94$ ). Therefore, the base composite rate for CY 2012 is \$141.94 for both hospital-based and independent facilities.

## Separately Billable Items and Services

Under the basic case-mix adjusted composite rate portion of the ESRD PPS, in addition to the composite rate, dialysis facilities receive additional payment for separately billable ESRD-related laboratory tests and drugs.

## Separately Billable Laboratory Tests

Separately billable laboratory tests are paid according to the Clinical Laboratory Fee Schedule. Under the basic case-mix adjusted composite portion of the ESRD PPS, some laboratory tests that are usually performed for dialysis patients are routinely covered and are separately billable at specific frequencies in the absence of indications to the contrary (i.e., no documentation of medical necessity is required other than knowledge of the patient's status as an ESRD beneficiary). Medicare beneficiaries do not pay a copayment for separately billable laboratory tests under the basic case-mix adjusted composite rate portion of the ESRD PPS. For more information about separately billable laboratory tests under the composite rate, refer to Chapter 11, Section 30.2.1, of the "Medicare Benefit Policy Manual" (Publication 100-02) at <http://www.cms.gov/Manuals/IOM/list.asp> on the CMS website.

## Separately Billable Drugs

Under the prior basic case-mix adjusted composite rate portion of the ESRD PPS, some drugs administered in-facility by facility staff are not covered under the composite rate but may be medically necessary for some beneficiaries who

receive dialysis. When furnished in the dialysis facility, these items must be billed separately and accompanied by medical justification either through information provided on the claim form or as requested by the FI. Staff time used to administer the drugs is covered under the basic case-mix adjusted composite rate portion of the ESRD PPS. Supplies used to administer the drugs may be billed in addition to the composite rate.

Effective for claims with dates of service on or after January 1, 2012, an antibiotic used in the home to treat an infection of the catheter site or peritonitis associated with peritoneal dialysis may be separately billable under the composite rate portion of the ESRD blended payment amount.

Medicare beneficiaries pay a 20 percent copayment for separately billable drugs under the basic case-mix adjusted composite rate portion of the ESRD PPS.

## End-Stage Renal Disease Quality Incentive Program

The ESRD QIP, which was mandated by Section 153(c) of the Medicare Improvements for Patients and Providers Act, adjusts Medicare payments to renal dialysis facilities based on how well they meet or exceed performance standards for quality measures. Payment year (PY) 2012 is the first year that payment reductions will be implemented under the program. The following three measures (one measure of dialysis adequacy and two measures of anemia management) have been selected for PY 2012:

- ❖ Percentage of Medicare patients with an average hemoglobin less than 10.0 g/dL;
- ❖ Percentage of Medicare patients with an average hemoglobin greater than 12.0 g/dL; and
- ❖ Percentage of Medicare patients with an average urea reduction ratio equal to or greater than 65 percent.

For more information about the ESRD QIP, visit <http://www.cms.gov/ESRDQualityImprovement> on the CMS website.



## Resources

For more information about ESRD services for outpatient maintenance dialysis, visit <http://www.cms.gov/ESRDpayment> and <http://www.cms.gov/center/esrd.asp> on the CMS website. You may also refer to Chapters 11 and 15 of the “Medicare Benefit Policy Manual” (Publication 100-02) and Chapter 8 of the “Medicare Claims Processing Manual” (Publication 100-04) at <http://www.cms.gov/Manuals/IOM/list.asp> and the “Claims Processing and Reimbursement” section of the Medicare Learning Network® publication titled “MLN Guided Pathways to Medicare Resources Provider Specific Curriculum for Health Care Professionals, Suppliers, and Providers” booklet at [http://www.cms.gov/MLNEdWebGuide/Downloads/Guided\\_Pathways\\_Provider\\_Specific\\_Booklet.pdf](http://www.cms.gov/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf) on the CMS website. To find Medicare information for beneficiaries (e.g., Medicare basics, managing health, and resources), visit <http://www.medicare.gov> on the CMS website.

This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

This fact sheet was prepared as a service to the public and is not intended to grant rights or impose obligations. This fact sheet 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.

Your feedback is important to us and we use your suggestions to help us improve our educational products, services and activities and to develop products, services and activities that better meet your educational needs. To evaluate Medicare Learning Network® (MLN) products, services and activities you have participated in, received, or downloaded, please go to <http://www.cms.gov/MLNProducts> and click on the link called ‘MLN Opinion Page’ in the left-hand menu and follow the instructions.

Please send your suggestions related to MLN product topics or formats to [MLN@cms.hhs.gov](mailto:MLN@cms.hhs.gov).



The Medicare Learning Network® (MLN), a registered trademark of CMS, is the brand name for official CMS educational products and information for Medicare Fee-For-Service Providers. For additional information, visit the MLN’s web page at <http://www.cms.gov/MLNGenInfo> on the CMS website.