

Overview of the ESRD PPS

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In August the Centers for Medicare and Medicaid Services established a new prospective payment system (PPS) for end-stage renal disease (ESRD) facilities. The ESRD PPS will provide a single payment to ESRD facilities for renal dialysis services and other items and services related to home dialysis, including supplies and equipment used to administer dialysis in the ESRD facility or at a patient's home, drugs, biologicals, laboratory tests, training, and support services.

Under the ESRD PPS, payment for all resources utilized in providing renal dialysis services will be bundled, combining payments for composite rate and separately billable services into a single base rate of \$229.63 for both adult and pediatric ESRD patients effective January 1, 2011.

In addition, ESRD facilities will be able to identify laboratory tests, drugs, biologicals, and other items that are not ESRD-related by using a modifier on claims, which will allow for separate payment.

The ESRD PPS covers renal dialysis services, which includes four principal components:

- Composite rate services
- Erythropoiesis-stimulating agents (ESAs) and their oral forms
- Other drugs and biologicals and their oral forms
- Diagnostic laboratory tests and other items and services

Composite Rate Services

The new payment system will include items and services included in the current basic case-mix adjusted composite payment system composite rate for renal dialysis services as of December 31, 2010. Composite rate services include maintenance dialysis treatments and all associated services including historically defined dialysis-related drugs, laboratory tests, equipment, supplies, staff time, and self-dialysis training services.

ESAs and Their Oral Forms

ESAs and their oral forms are considered renal dialysis services; therefore, no additional payment will be provided for ESAs when furnished to individuals for ESRD treatment outside of the payment bundle.

Payment for injectable ESAs (e.g., Epoetin alpha or Epogen and darbepoetin or ARANESP) is separately payable outside of the current basic case-mix adjusted composite payment system and is included in the calculation of the ESRD PPS base rate.

Other Drugs and Biologicals and Their Oral Forms

Other drugs and biologicals, and their oral equivalent forms furnished to individuals for ESRD treatment for which payment was made separately prior to the implementation of the ESRD PPS are now included in the payment bundle. The oral equivalents of ESRD-injectable drugs include the oral vitamin D analogues (e.g., calcitriol, doxercalciferol, and paracalcitol) and levocarnitine. These former Part D drugs are listed in table D in the ESRD PPS final rule.

Oral iron is generally available over the counter and therefore not included in the payment bundle. ESRD-related blood and blood products are excluded from the ESRD PPS bundle.

Oral-only drugs will not be covered under the ESRD PPS until January 1, 2014. The transition period will provide CMS sufficient time to address data and pricing issues and evaluate and correct any potential concerns that may emerge as a result

of including the oral drugs and biologicals with other forms of administration in the payment bundle.

Diagnostic Laboratory Tests and Other Items and Services

Diagnostic laboratory tests and other items and services furnished to individuals for ESRD treatment not described in the composite rate services are included as part of the bundle payment. Laboratory tests ordered for reasons unrelated to ESRD will be excluded from the ESRD PPS and will continue to be reimbursed separately.

CMS has identified 53 laboratory tests that are used to diagnose or monitor ESRD-related conditions (presented in table F of the final rule). The laboratory tests listed will be considered renal dialysis services and will be covered under the bundled payment if furnished to ESRD patients by the facility directly or under arrangement.

Four-Year Phase-In

CMS offered ESRD facilities a four-year transition period to phase in payments under the ESRD PPS for services furnished on or after January 1, 2011, referred to as the blended rate. The transition will occur in equal increments, with payment under the ESRD PPS fully implemented by January 1, 2014.

ESRD facilities could opt out of the transition period and have 100 percent of their reimbursements based on the payment amount under the ESRD PPS. ESRD facilities that opted out of the transition period may not rescind their decision.

ESRD facilities that opted into the four-year transition period will receive a blended payment for each dialysis treatment consisting of the payment amount under the basic case-mix adjusted composite system and the payment amount under the ESRD PPS. The table [\[below\]](#) outlines the percent of the payment rates under the blended methodology over the next four years.

Consolidated Billing Rules and Edits

The ESRD PPS payment model represents an all-inclusive payment; therefore, the ESRD facility is responsible for all of the ESRD-related services that its patients receive. Items and services that are paid separately under the current basic case-mix adjusted composite rate (such as laboratory tests) will no longer be billed directly to Medicare by entities (such as laboratories and DME suppliers). These entities would need to seek payment from the patient's ESRD facility.

ESRD facilities are required to provide additional information when submitting claims. They must:

- Itemize all drugs and biologicals provided to each individual patient
- Itemize all laboratory tests provided to each individual patient
- Place a modifier for non-ESRD–related laboratory tests, drugs and biologicals, and supplies and equipment for the purpose of receiving separate payment
- Enter a comorbidity ICD-9-CM diagnostic code recognized for the comorbidity payment adjustment

Coders should become familiar with what is and is not considered a renal dialysis service to ensure proper reimbursement for their ESRD facility. They should review existing contracting arrangements with laboratories and DME suppliers.

In addition, when entering into an arrangement with a pharmacy to furnish renal dialysis service drugs and biologicals, providers should ensure that the pharmacy has the capability to provide all classes of renal dialysis drugs and biologicals to patients in a timely manner.

Four-Year Phase-in Payments

ESRD facilities that opted into the four-year transition period will receive a blended payment for each dialysis treatment consisting of the payment amount under the basic case-mix adjusted composite system and the payment amount under the ESRD PPS. The table below outlines the percent of the payment rates under the blended methodology over the next four years.

	Basic Case-Mix Adjusted composite payment system	ESRD PPS
2011	75%	25%
2012	50%	50%
2013	25%	75%
2014	0%	100%

References

Centers for Medicare and Medicaid Services. "Medicare Program; End-Stage Renal Disease Prospective Payment System." *Federal Register* 75, no. 155 (Aug. 12, 2010). Available online at www.gpo.gov/fdsys/pkg/FR-2010-08-12/pdf/2010-18466.pdf.

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