DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Room 352-G
200 Independence Avenue, SW
Washington, DC 20201

Office of Media Affairs

MEDICARE FACT SHEET

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Contact: CMS Office of Media Affairs
(202) 690-6145

CMS finalizes quality incentive program for dialysis facilities

OVERVIEW: The Centers for Medicare & Medicaid Services (CMS) issued a final rule on Dec. 29, 2010, that provides the framework for adjusting Medicare payments to renal dialysis facilities based on how well they meet or exceed performance standards for quality measures. The final rule establishes the performance standards, scoring methodology, and incentive payment structure under a new End-Stage Renal Disease (ESRD) Quality Incentive Program (QIP). The final rule also provides for public disclosure of individual dialysis facility performance scores.

The ESRD QIP was mandated by Congress in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), which also required CMS to implement a new fully bundled prospective payment system (PPS) for ESRD facilities to replace the existing payment methodology based on a composite rate plus separately billable items and services. The final rule establishing the ESRD PPS, which was issued by CMS on July 26, 2010, and published in the Aug. 12, 2010 *Federal Register*, also finalized the first three quality measures to be used in the QIP. In future years CMS plans to expand the number and type of quality care measures assessed under the ESRD QIP. CMS may also revise the number and type of quality care measures and standards as well as the payment reduction formula.

CMS will begin paying dialysis facilities under the ESRD PPS on Jan. 1, 2011. As required by MIPPA, the ESRD QIP payment adjustments will apply to payments for services on or after Jan. 1, 2012.

BACKGROUND: The ESRD QIP represents the next step in CMS' ongoing efforts to improve the quality of care furnished to beneficiaries diagnosed with ESRD who are receiving dialysis treatments. Data show that variations in the quality of dialysis services can have a significant impact on patient outcomes. CMS' quality initiatives, which began more than 30 years ago, include: the ESRD Network Organization Program, and the Clinical Performance Measures (CPM) Project. In 2001, CMS established the ESRD Quality Initiative, which provided for public disclosure of dialysis facility information on the Dialysis Facility Compare (DFC) web site at www.medicare.gov/dialysis, thus promoting accountability in dialysis care. These earlier ESRD programs highlighted key quality measures for CMS and provided valuable insights into the quality of dialysis care.

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LINKING PAYMENT TO QUALITY: With the establishment of the ESRD QIP, CMS is taking its quality initiative one step further by setting performance standards and tying payment to how well a facility meets or exceeds those standards.

In the past, CMS paid facilities for the volume of services provided—the greater the number of claims, the greater the payment. Under the ESRD QIP, a segment of CMS payments to facilities will for the first time be determined not only by the quantity, but also on the quality of care beneficiaries receive at those facilities. For payments rendered during ESRD QIP Payment Year (PY) 2012, CMS will assess facility performance on three key quality of care measures that are important indicators of patient outcomes: two that ensure that patients' hemoglobin levels remain within a desired range and one that measures the effectiveness of the dialysis treatment in removing waste products from patients' blood (known as Urea Reduction Ratio or URR). These figures are reported publicly for each facility and are available from the DFC web site.

Dialysis facilities that do not meet or exceed established performance standards on three quality measures will be subject to a payment reduction of up to two percent. By comparing the facility's performance to the ESRD QIP performance standards, CMS will calculate a Total Performance Score for each facility and then apply a payment formula. In accordance with a "special rule" mandated by MIPPA, for PY 2012 the Total Performance Score will be generated by comparing each facility's performance on three quality measures in PY 2010 with the lesser of the national average performance on the measure in 2008 or with that facility's performance on each measure during 2007. For those facilities that fail to meet or exceed the established performance standards, payment reductions will apply to all outpatient dialysis services and items furnished to Medicare beneficiaries by that facility including dialysis treatment, prescription drugs, and clinical laboratory tests and will remain in effect for the duration of PY 2012.

PAYMENT PARAMETERS: MIPPA section 153(c) requires that CMS select measures, develop a scoring methodology, and implement a payment reduction scale aligning with facilities' performance. To receive full payment, facilities must meet or exceed the established performance standards. With respect to the PY 2012 ESRD QIP, CMS will reduce payments by up to two percent for facilities that do not meet the established performance standard on each of the three quality measures identified. The performance standard for each facility will be the lesser of the national average performance on the measure in 2008 or that facility's performance on each measure during 2007.

QIP MEASURES: The following are brief descriptions of the ESRD QIP measures and standards applying to facility performance that will determine reductions in PY 2012:

- Anemia Management:
  - The intent is to control anemia and maintain optimum hemoglobin levels within the range of
    10-12 g/dL (grams per deciliter). Anemia management will be assessed by two separate measures:

  - CMS will assess the percentage of patients whose hemoglobin levels dipped under 10
    g/dL. The program assigns this measure the greatest weight in facility performance calculation, because numbers under 10 g/dL are highly undesirable. (Weight = 50%)
  - CMS will assess the percentage of patients whose hemoglobin levels exceeded 12 g/dL. Numbers greater than 12 g/dL could suggest unnecessary or excessive administration of certain drugs. (Weight = 25%)
- Hemodialysis Adequacy:
  - The intent is to ensure adequate removal of waste products in the blood. CMS will assess the percentage of patients who achieve a urea reduction ratio (URR) of 65% or greater at each facility. (Weight = 25%)

PERFORMANCE SCORING:

Methodology for PY 2012: Facilities can earn a maximum of 10 points for each of the three measures, based on their performance on the established performance standard for each measure. The highest possible "Total Performance Score" any facility can earn is 30 points. CMS will subtract two points for each percentage point that the facility performs below the performance standard. CMS then will apply the weights to the measures and calculate the total *weighted* performance scores for each measure. Finally, CMS will sum the resulting scores for each of the three weighted measures to arrive at the facility's Total Performance Score.

A facility must have a minimum of 11 reportable cases to receive a score on each measure, and must receive a score on all three measures in order to receive a Total Performance Score. As indicated in the payment reduction scale below, facilities with a total performance score of 26 points or greater would not be subject to any payment reduction in PY 2012. The maximum payment reduction a facility could be subject to is 2.0 percent, which would apply only to facilities with a Total Performance Score of 10 points or lower.

Payment Reduction Scale

Total Facility Score (points)	Payment Reduction to Facility (percentage)
26-30	-0-
21-25	0.5
16-20	1.0
11-15	1.5
0-10	2.0

INFORMING THE PUBLIC: CMS will give providers and facilities the opportunity to review their scores and any resulting payment adjustments prior to releasing the ESRD QIP scores and payment reductions to the public. The QIP payment adjustments will apply to ESRD PPS payments for outpatient dialysis services and items (including dialysis treatment, prescription drugs, and clinical laboratory tests) furnished to Medicare beneficiaries by facilities between Jan. 1, 2012 and Dec. 31, 2012.

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Facility-Posted Certificates: The law requires CMS to furnish each dialysis facility with a certificate that displays the facility's Total Performance Score. The certificate will specify the facility's scores on each of the three quality measures, and facilities must display their QIP Certificate prominently in an area where it is visible to patients.

Dialysis Facility Compare Web Site: For 2012, CMS will use the Dialysis Facility Compare web site, www.medicare.gov/Dialysis, to publish ESRD QIP results including individual facility scores. CMS will also publish information online at: www.cms.gov/esrdqualityimproveinits.

PROGRAM MONITORING AND EVALUATION: Beginning in January 2011, in conjunction with implementation of the PPS, CMS will begin to monitor changes in ESRD service delivery, with a particular focus on changes related to quality of and access to care. Monitoring is expected to serve as an "early warning system" to alert CMS of possible problems or unexpected changes that may require further review or investigation. CMS will also conduct long-term evaluation studies to examine changes observed such as the following:

- Access to care for certain categories or subgroups of ESRD beneficiaries
- Care practices that might adversely affect quality of dialysis care
- Different patterns of dialysis care (e.g., increases or decreases in the use of injectable drugs)
- Best practices that could be adopted by other ESRD facilities

The final rule, which can be found at: www.ofr.gov/inspection.aspx#special, will be published in the Jan. 5, 2011 *Federal Register*. The rule is effective Feb. 4, 2011.

For more information, please see www.cms.gov/ESRDQualityImproveInit.

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