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MEDICARE NEWS

FOR IMMEDIATE RELEASE
Wed. Dec. 29, 2010

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CMS implements value-based purchasing for dialysis facilities
Program establishes performance standards, payment penalties

The Centers for Medicare & Medicaid Services (CMS) today issued a final rule that will establish performance standards for dialysis facilities and provide payment adjustments to individual End-Stage Renal Disease (ESRD) facilities based on how well they meet these standards. The ESRD Quality Incentive Program (QIP) is designed to promote high-quality dialysis services at Medicare facilities by linking CMS payments directly to facility performance on quality measures.

CMS Administrator Dr. Donald Berwick lauded the ESRD QIP as “a landmark advance for improving the quality and safety of care that Medicare beneficiaries receive while on dialysis treatment. Since most patients with ESRD are also Medicare beneficiaries, the ESRD QIP is an especially powerful tool in transforming care in America’s dialysis centers.”

Individuals are diagnosed with ESRD when their kidneys are no longer able to remove excess fluids and toxins from their blood. ESRD can be cured only with a kidney transplant. ESRD patients who have not received a transplant rely on dialysis to perform the life-saving filtering function. Nearly 350,000 individuals in the United States are being treated for ESRD under Medicare, at a cost of nearly \$9 billion each year.

CMS has previously implemented programs in a variety of settings that pay for reporting of quality measures and has used its demonstration authority to test whether pay-for-performance can improve the quality of care in hospitals and physicians’ offices. The ESRD QIP takes the next step, implementing a permanent pay-for-performance program that could affect payments to all dialysis facilities. It also supports the transition of ESRD payments to a new ESRD Prospective Payment System (PPS). While the ESRD PPS will promote the efficient provision of care to patients with ESRD, the ESRD QIP will help ensure that facilities provide high quality, patient-centered care.

The ESRD QIP was mandated by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) as a companion to the ESRD PPS. In the ESRD PPS final rule, issued July 26, 2010 and published in the Aug. 12, 2010, *Federal Register*, CMS finalized three measures as the initial measure set during the first program year. Two of these measures are designed to assess whether patients’ hemoglobin levels are maintained in an acceptable range, while the third measures the effectiveness of the dialysis treatment in removing waste products

from patients' blood. The three measures were chosen because they represent important indicators of patient outcomes and quality of care.

The final rule issued today establishes the ESRD QIP performance standards, sets out the scoring methodology CMS will use to rate providers' quality of dialysis care, and establishes a sliding scale for payment adjustments based on the facility's performance. CMS will assess each dialysis facility on how well its performance meets the standard for each measure and will calculate each facility's Total Performance Score. The maximum Total Performance Score a facility can achieve is 30 (10 points per measure). Facilities that do not meet or exceed performance standards will be subject to a payment reduction of up to two percent depending on how far their performance deviates from the standards.

In future years CMS may add quality measures and establish additional performance standards that facilities will need to meet to receive full payment for the services they furnish to Medicare beneficiaries.

The period of performance under which facilities will be evaluated is payment year (PY) 2010, running from Jan. 1, 2010, through Dec. 31, 2010. CMS will give providers and facilities the opportunity to review their scores and any resulting payment adjustments prior releasing the ESRD QIP scores and payment reductions publicly. The ESRD QIP payment adjustments will apply to payments under the ESRD PPS for outpatient maintenance dialysis items and services furnished to Medicare beneficiaries by ESRD facilities between Jan. 1, 2012 and Dec. 31, 2012..

After ESRD facility scores and payment determinations are finalized, CMS will furnish each facility with a PY 2012 certificate noting the facility's Total Performance Score as well as its score on each individual measure. Each facility is required to post its certificate in a prominent location in a patient care area for the duration of the payment year. CMS will furnish each facility with a new certificate annually. In addition, CMS will post on the internet each facility's Total Performance Score, as well as the scores that facilities earned on the individual measures.

"For over 30 years, Medicare has been monitoring quality for patients with ESRD," said Berwick. "The new ESRD QIP allows us to build up from that foundation a program that aligns payment for dialysis treatment with the outcomes that matter most to patients."

The final rule was placed on display at the *Federal Register* today, and can be found under Special Filings at: www.ofr.gov/inspection.aspx#special. For more information, please see www.cms.gov/ESRDQualityImproveInit.

Note: More information about the proposed rule, including the measures CMS proposes to use in the program, as well as CMS' proposed scoring methodology, is included in a Fact Sheet posted on our web site at: www.cms.hhs.gov/apps/media/fact_sheets.asp.