The ESRD Managed Care Demonstration was conducted at sites e in California (Kaiser Permanente) and in Florida (Health Options, Inc.). (A third Demonstration site in Tennessee discontinued operations after enrolling only 50 patients.) Each Demonstration site provided service integration, case management, and extra benefits in exchange for being paid 100% of the Adjusted Average Per Capita Cost (AAPCC) (CMS's payment also reflected several risk adjusters). This demonstration test whether: year-round open enrollment of Medicare's ESRD patients in managed care is feasible; integrated acute- and chronic-care services, and case management for ESRD patients, improves health outcomes; capitation rates reflecting patients' treatment needs increases the probability of kidney transplant; the additional benefits were cost-effective. Lewin VHI recently completed an evaluation of the demonstration. Whereas the California site has concluded the demonstration, CMS is continuing the Florida demonstration site under payment rules that reflect the payment for the organization during the initial 3-year demonstration period.

Evaluation Highlights:

The following are highlights from the evaluation:

- **Patient Selection.** The sites enrolled patients who were relatively healthier and younger than the evaluation's comparison group of ESRD patients in the fee-for-service (FFS) system.
- **Patient Satisfaction**. Both Demo and comparison patients appeared to be highly satisfied with their health care providers. Although FFS patients reported higher satisfaction with health care providers and services, Demonstration patients reported more satisfaction with the financial benefits and nutritional supplements provided under the Demonstration plan.
- **Quality of Life.** Nearly every QoL measure either improved or stayed approximately the same. These results are striking because ESRD patients, due to the chronic nature of their illness, typically exhibit deteriorating quality of life over time.
- **Vascular Access.** Vascular access complications are known to contribute significantly to hemodialysis patient morbidity. After adjustment for patient differences, patients from both Demonstration sites were less likely than FFS patients to have any of these procedures performed in an inpatient setting. The shift in care setting from inpatient to outpatient did not appear to have had any adverse effect.
- **Hospitalization.** HOI reduced the number of hospital admissions but not hospital days. Kaiser reduced days spent in the hospital. Kaiser and HOI both showed lower rates of hospital days compared to FFS patients for many cause-specific categories of hospitalization. The largest difference was found in hospitalization rates for infection.
- **Transplantation.** Patients who joined the Demo were less likely to be on a waitlist at the time they enrolled at either site, compared to FFS patients in the same geographic area. After spending one year in the Demo, patients enrolled in the Kaiser plan had similar access to transplant waitlists as their FFS counterparts. HOI patients were less likely to receive a transplant than other patients listed in

the Jacksonville area during the same period. Kaiser patients who were waitlisted with one of the three contracting centers during the Demo were found to have similar rates of transplant to waitlisted patients within the same area.

- **Medication Use.** There are some findings that suggest clinical benefits occurred for the patients who left FFS and enrolled in an HMO under the Demo.
- **Demonstration Cost.** Because Demonstration enrollees were healthier than the FFS ESRD population at baseline, their pre-Demonstration costs and their predicted costs were significantly lower than the FFS population and, in turn, considerably lower than the capitation rates paid by CMS. Therefore, CMS's costs for the Demonstration enrollees appear to have been greater under the Demo than they would have been if these enrollees had remained in the FFS system. The additional costs to the federal government total approximately $18.5 million across the three years of the Demo. Estimating that the FFS costs of the Demo enrollees would have been 8% to 10% less than the CMS payments to the sites, the Demonstration sites were overpaid approximately $8,000 per enrollee annually. However, because of the costs to the sites of covering the Medicare deductible and coinsurance, the significant costs of the prescription drug, the costs of other additional benefits, and the sites' administrative costs, it is not surprising that the sites experienced financial losses or only very modest gains in their Demonstration line of business.

(See downloads area below for more information: Final Report, Evaluation Results).