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MEDICARE DIALYSIS FACILITIES

Beneficiary Access Stable and Problems in Payment System Being Addressed

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Highlights

Highlights of GAO-04-450, a report to congressional committees

Why GAO Did This Study

Medicare covers about 90 percent of patients with end-stage renal disease (ESRD), the permanent loss of kidney function. Most ESRD patients receive regular hemodialysis treatments, a process that removes toxins from the blood, at a dialysis facility. A small percentage dialyzes- at home. From 1991 through 2001, the ESRD patient population more than doubled, from about 201,000 to 406,000. As the need for services grows, so do concerns about beneficiary access to and Medicare payment for dialysis services. The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 directed GAO to study beneficiaries' access to dialysis services. In this report, GAO (1) assessed the supply of dialysis facilities and the services they provide, overall and relative to beneficiary residence, and (2) assessed the extent to which Medicare payments for dialysis services are adequate and the methodology is appropriate.

In order to assess the supply of dialysis facilities, GAO used Facility Surveys collected by the Centers for Medicare & Medicaid Services (CMS) and outpatient claims, the bills submitted to Medicare by providers of certain outpatient services from 1998 through 2001. To assess the adequacy of Medicare payment and the appropriateness of the payment methodology, GAO used 2001 Medicare cost reports and outpatient claims submitted by freestanding dialysis facilities.

www.gao.gov/cgi-bin/getrpt?GAO-04-450.

To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7119.

What GAO Found

GAO found that from December 31, 1998, through December 31, 2001, the total number of dialysis facilities nationwide increased at about the same rate as the Medicare dialysis population, 16 and 15 percent, respectively, and the total number of stations (that is, treatment areas and equipment, including dialysis machines, needed to dialyze the patient) increased by over 24 percent, a rate greater than the growth in the Medicare dialysis population. The dialysis industry opened facilities in more counties across the country, although facilities were more likely to be available to beneficiaries in urban counties than in rural counties. In addition, while almost all facilities provided in-facility hemodialysis, fewer facilities provided home dialysis.

GAO estimates that total payments to freestanding dialysis facilities exceeded providers' allowable costs by 3 percent in 2001. Although payments were higher than costs overall, payments did not meet costs for small facilities. In addition, composite rate payments, intended to cover the costs of dialysis services associated with a treatment, including nursing, supplies, social services, and certain laboratory tests, were 11 percent less than the costs of providing those services, while payments for separately billed drugs, drugs not included in the composite rate, exceeded the costs of those services by 16 percent. Because of this imbalance, providers have an incentive to maximize the use of profitable separately billed drugs to compensate for inadequate payments under the composite rate.

CMS generally agreed with GAO's findings. The agency noted that it has been working to redesign the payment system since 2000. Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), the Secretary of Health and Human Services is required to develop a report by October 1, 2005 detailing the elements and features necessary in the design and implementation of a broader payment system that includes separately billed drugs. MMA also requires the Secretary to conduct a 3-year demonstration project, beginning January 1, 2006, that uses a broader payment system incorporating patient characteristics identified in the report.