

# Preparing for End-Stage Renal Disease 2021 Enrollment into Medicare Advantage by Addressing Payment Adequacy

BETTER MEDICARE  
ALLIANCE

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## Key Facts

- Overall, more than 500,000 Medicare beneficiaries have End-Stage Renal Disease (ESRD)
- Most Medicare beneficiaries with ESRD currently are required to receive coverage through Traditional Fee-for-Service (FFS) Medicare.
- Medicare spends considerably more on beneficiaries with ESRD compared to other enrollees.
- Starting in 2021, all Medicare beneficiaries with ESRD will be allowed to enroll in Medicare Advantage.
- Given the variation and uncertainty with existing payment rates, payment to Medicare Advantage plans for ESRD patients will likely be inadequate.

## Policy Recommendations

In advance of 2021 and the anticipated increase in enrollment of ESRD beneficiaries into Medicare Advantage, policymakers are called on to act on the following recommendations to ensure adequate payment and care for ESRD patients:

- Ensure Medicare Advantage payment rates cover actual costs of ESRD patients, with particular attention to underpaid states.
- Update the Medicare Advantage ESRD payment methodology to provide consistency and predictability and avoid year-to-year fluctuation.
- Expand and incentivize access to innovative forms of care for ESRD patients, including home dialysis.
- Consider changes to Medicare Advantage network adequacy requirements for dialysis providers.
- Encourage access to programs and services to prevent kidney disease and slow disease progression.

## Background

In addition to individuals age 65 and older and people with disabilities, Medicare covers people with ESRD, also known as kidney failure. ESRD occurs when an individual's kidneys permanently and completely stop functioning. Unless they can receive a kidney transplant, people with ESRD undergo dialysis, typically several times a week.

Currently, most beneficiaries with ESRD receive coverage through Traditional FFS Medicare, however some can enroll in Medicare Advantage under limited circumstances. Beneficiaries who develop ESRD while enrolled in a Medicare Advantage plan can retain their coverage. However, payments to Medicare Advantage for ESRD patients are set at the state level rather than the county level. As a result, ESRD payments do not consider cost variation within a state. Additionally, ESRD risk adjustment for Medicare Advantage plans is based on a separate model from the one used for other Medicare Advantage enrollees.

## Providing Care to ESRD Beneficiaries is Expensive

In 2016, less than 1% of Medicare beneficiaries had ESRD, but services for these patients accounted for 7.2% of Medicare costs, or \$35.9 billion a year. Patients with ESRD often have comorbidities and present complex clinical and social needs. According to the most recent figures, Medicare spends \$67,116 annually per ESRD beneficiary. This is four times more than the spending on average per disabled beneficiary (\$15,437) and six times more than the spend on average per aged beneficiary (\$10,182).

## Starting 2021, ESRD Beneficiaries will be Allowed to Enroll in Medicare Advantage

As required by the 21st Century Cures Act of 2016, starting in 2021, all ESRD beneficiaries will have the option to enroll in Medicare Advantage, even after diagnosis. Medicare Advantage is positioned to provide ESRD beneficiaries with better coverage compared to Traditional FFS Medicare due to its maximum out-of-pocket limit for consumers, supplemental benefits, and ability to coordinate care. However, the costs associated with ESRD patients raise serious concerns about what it could mean if payments for these patients are inadequate. Moreover, the Medicare Advantage ESRD payment rate varies significantly year over year, creating uncertainty for plans and providers.

ESRD patients have complex and costly needs and Medicare Advantage is well-suited to provide high-value care to this population, because of the coverage and care it offers to chronically ill beneficiaries. Medicare Advantage supports severely ill patients through effective care management, care coordination, and targeted benefit offerings. However, analyses suggest that Medicare Advantage plans would likely be underpaid in the current payment system. Without adequate payment, Medicare Advantage plans may have to raise consumer costs, reduce supplemental benefits, or limit service areas—not just for ESRD patients, but for all enrollees.