

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-02 Medicare Benefit Policy</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 135</b>	<b>Date: DECEMBER 10, 2010</b>
	<b>Change Request 7237</b>

**SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2011**

**I. SUMMARY OF CHANGES:** This transmittal provides information on the update to the changes to payment to ESRD facilities. Beginning January 1, 2011, the following changes will affect ESRD facilities, 1) an update to the drug add-on adjustment to the composite payment rate; 2) an update to the wage index adjustments to reflect current wage data, including a revised budget neutrality adjustment; and 3) a reduction in the wage index floor. This Recurring Update Notification applies to chapter 11, section 30.5.

**EFFECTIVE DATE: January 1, 2011**

**IMPLEMENTATION DATE: January 3, 2011**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
N/A	

**III. FUNDING:**

**For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

**For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding

continued performance requirements.

#### **IV. ATTACHMENTS:**

##### **Recurring Update Notification**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – Recurring Update Notification

Pub. 100-02	Transmittal: 135	Date: December 10, 2010	Change Request: 7237
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**SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2011**

**Effective Date: January 1, 2011**

**Implementation Date: January 3, 2011**

## I. GENERAL INFORMATION

**A. Background:** Section 1881(b) (12) of the Act, as amended by section 623 of the Medicare Prescription Drug Improvement and Modernization Act of 2003, directed the Secretary to make a number of revisions to the composite rate payment system, as well as payment for separately billable drugs furnished by ESRD facilities.

For CY 2011, CMS must continue to update the basic case-mix composite payment system for purposes of determining the composite rate portion of the blended payment amount during the ESRD PPS 4-year transition (CYs 2011 through 2013.) CMS did not propose any significant changes to the composite rate payment methodology, but CMS did make updates which included an update to the drug add-on adjustment to the composite rate using a refined methodology for projecting growth in drug expenditures, an update to the wage index adjustment to reflect the latest available wage data, including a revised budget neutrality factor (BN) adjustment. After applying a budget neutrality adjustment of 1.056929, the wage index floor is 0.6432. Lastly, the wage index floor was reduced from 0.65 to 0.60.

In addition to the routine updates as listed above, there have been several changes that affect how payment is made to ESRD facilities beginning January 1, 2011.

Section 1881(b)(14)(E)(i) of the Act requires a 4-year transition (phase-in) from the current composite payment system to the ESRD PPS, and section 1881(b)(14)(E)(ii) of the Act allows ESRD facilities to make a one-time election to be excluded from the transition. Electing to be excluded from the 4-year transition means that the ESRD facility receives payment for renal dialysis services based on 100 percent of the payment rate established under the ESRD PPS, rather than a blended rate under each year of the transition based in part on the payment rate under the current payment system and in part on the payment rate under the ESRD PPS. As of January 1, 2011, ESRD facilities that elect to go through the transition would be paid in the first year a blended amount that will consist of 75 percent of the basic case-mix adjusted composite payment system and the remaining 25 percent would be based on the ESRD PPS payment. For further details regarding the ESRD PPS transition, see <http://www1.cms.gov/transmittals/downloads/R2033CP.pdf>. Also, although CMS proposed to eliminate the wage index floor under the ESRD PPS, CMS will continue to apply the wage index floor during the transition to the PPS portion of the ESRD PPS payment in 2011, which does not include a budget neutrality factor.

Section 1881(b)(14)(F) of the Act, as added by section 153(b) of MIPPA and amended by section 3401(h) of the Affordable Care Act (ACA) required that the composite rate portion of the blended payment amount be increased in CY 2011 by the ESRD market basket percentage increase factor of 2.5 percent. The composite rate for CY 2011 is \$138.53 (\$135.15\*1.025). This 2.5 percent increase does not apply to the drug add-on adjustment to the composite rate. Also, the drug add-on percentage would be reduced from 15.0 to 14.7 as a result of the proposed increase to the composite rate in CY 2011.

In addition, for purposes of the composite rate portion of the blended payment amount, an add-on of \$0.49 will be added to the adjusted composite payment to account for ESRD related drugs and biologicals that are currently separately paid under Part D and are now included in the ESRD PPS.

**B. Policy:** Upon implementation of this instruction, the following changes will be applied to all Medicare certified ESRD facilities that elect to go through the transition. In the first year of the transition, ESRD facilities will be paid a blended amount that will consist of 75 percent of the basic case-mix adjusted composite payment system and the remaining 25 percent would be based on the ESRD PPS payment:

- A 2.5 percent increase to the ESRD composite rate portion of the blended payment amount, resulting in a CY 2011 composite rate of \$138.53;
- An update to the wage index adjustments to reflect the current wage data;
- A reduction in the wage index floor from 0.6500 to 0.6000, then after applying a budget neutrality of 1.056929, the wage index floor is 0.64320.

The ESRD payment changes will be effective January 1, 2011, and will be published in the Federal Register before that date.

## II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I  M A C	C A R I E R	R H H I	Shared-System Maintainers				OTHE R
						F I S S	M C S	V M S	C W F		
7237.1	Medicare systems shall install the new ESRD Pricer software module effective January 1, 2011.						X				
7237.2	Medicare systems shall update the drug add-on for 2011 to 14.7%.									ESRD Pricer	
7237.3	Medicare systems shall update the wage index adjustments to reflect the current wage data.									ESRD Pricer	
7237.4	Medicare systems shall update the floor from 0.6500 to 0.6000 and apply the budget neutrality of 1.056929.									ESRD Pricer	
7237.5	Medicare systems shall update the wage index values for the ESRD composite rate which includes the budget neutrality factor of 1.056929.									ESRD Pricer	
7237.6	Medicare systems shall update the wage index values for the ESRD PPS which does not include a budget neutrality factor.									ESRD Pricer	
7237.7	Medicare contractors shall update if necessary, the provider file with any CBSA changes.	X		X							
7237.8	An add-on of \$0.49 shall be added to the adjusted composite payment to account for ESRD related drugs and biologicals that are currently separately paid under Part D and are now included in the ESRD PPS									ESRD Pricer	

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I  I E R	C A R R I E R	R H I  I E R	Shared-System Maintainers				OTHE R
						F I S S	M C S	V M S	C W F		
7237.9	<p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>	X		X							

### IV. SUPPORTING INFORMATION

**Section A: For any recommendations and supporting information associated with listed requirements, use the box below:**

*Use "Should" to denote a recommendation.*

X-Ref Requirement Number	Recommendations or other supporting information:
N/A	

**Section B: For all other recommendations and supporting information, use this space: N/A**

### V. CONTACTS

**Pre-Implementation Contact(s):** For ESRD Policy, [lisa.hubbard@cms.hhs.gov](mailto:lisa.hubbard@cms.hhs.gov); for Claims Processing, Wendy Tucker (410) 786-3004/ [wendy.tucker@cms.hhs.gov](mailto:wendy.tucker@cms.hhs.gov).

**Post-Implementation Contact(s):** For ESRD Policy, [lisa.hubbard@cms.hhs.gov](mailto:lisa.hubbard@cms.hhs.gov); for Claims Processing, Wendy Tucker (410) 786-3004/ [wendy.tucker@cms.hhs.gov](mailto:wendy.tucker@cms.hhs.gov).

## **VI. FUNDING**

### **Section A: For *Fiscal Intermediaries (FIs) and Carriers:***

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

### **Section B: For *Medicare Administrative Contractors (MACs):***

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.