The Impact of Adding a Racial Case Mix Adjuster to Medicare Dialysis Reimbursement: Correcting a Potential Bias

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INTRODUCTION

In 2011, a new prospective payment system will be instituted for Medicare payments for dialysis. CMS analyses revealed that dialysis payments differ significantly by race, yet CMS has not proposed including a racial case mix adjuster (CMA). Multiple studies have shown that in the U.S., blacks undergoing dialysis have greater health care resource utilization and cost than do patients of other races [1,2].

OBJECTIVES

- Model the impact of adding a race case mix adjuster on dialysis facilities reimbursement under the Medicare proposed prospective payment system in DaVita® dialysis facilities.

METHODOLOGY

- Variables: race and payment.
- Data sources:
  - CY2011 Proposed ESRD PPS Facility Level Impact File
  - DaVita Clinical Data Warehouse

RESULTS

- Table 1: CMS Proposed Prospective Payment Racial Adjusters [3]

<table>
<thead>
<tr>
<th>Race</th>
<th>REMIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian/Pacific Islander</td>
<td>1.00 (reference)</td>
</tr>
<tr>
<td>Native American/Alaskan Native/North American Native</td>
<td>1.126</td>
</tr>
<tr>
<td>Hispanic</td>
<td>1.046</td>
</tr>
<tr>
<td>White</td>
<td>1.142</td>
</tr>
<tr>
<td>Other</td>
<td>1.646</td>
</tr>
<tr>
<td>Non-Hispanic</td>
<td>1.965</td>
</tr>
</tbody>
</table>

- Figure 1: Dialysis Facilities Receiving a Lower Payment under the Proposed Prospective Payment System Based on CMS Projections, by County Percent Black/African Americans (U.S. Census, 2008 Projections)

- Figure 2: Association between facility percent race and percent change in CMS estimated 2011 reimbursement under current and proposed payment rules

CONCLUSIONS

- Facilities receiving lower payment under the proposed prospective payment system than under the current system (as projected by CMS) clustered in areas with higher percentages of blacks (Figure 1).
- Without the race CMA, there was a significant negative association between percent blacks in DaVita dialysis facilities, and payment differential under the old and new payment systems.
- The addition of the race CMA eliminated the association between race and payment differential for whites and NA/ANs (Figure 2).
- The addition of the race CMA introduced a positive association between black race and payment, which was eliminated by a minor reduction in the black CMA.
- The race CMA introduced a negative association between API race and payment.

LIMITATIONS

- The regression analyses included only DaVita dialysis facilities.
- Under the proposed payment system, facilities with >50% API will receive lower payments, both with and without a race CMA.
- The addition of a race adjuster magnifies the loss in facilities with >50% API in a financially meaningful way from a mean loss of -6% to -17%. However, this affected only 6 out of 1477 DaVita facilities.

KEY LEARNINGS

- CMS should include a race CMA in the prospective payment system for dialysis. This would ease the current financial disparities based on race.

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