

Increasing PD Utilization Can Reduce Medicaid Spending

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INTRODUCTION

To meet budget shortfalls, many states may be compelled to institute Medicaid budget cuts which could include reimbursement reductions impacting dialysis. Dually-eligible (Medicaid/ Medicare) dialysis patients are covered by Medicaid for the first 3 months of treatment until Medicare assumes primary payer status. If a dually-eligible patient is deemed suitable for peritoneal dialysis (PD) and initiates PD training, however, Medicare primary coverage becomes effective immediately, retroactive to the first day of the month in which training was initiated. We examined the potential Medicaid savings associated with increased PD utilization among incident PD-suitable dialysis patients.

METHODOLOGY

- This is a cost minimization model, taking a California Medicaid (Medi-Cal) perspective with a 1-year time horizon.
- We assume that of the 60% of ESRD incident patients who start dialysis without previous nephrologic care ("crash" patients), 10% of those patients will elect PD and 25% of the 40% of non-"crash" ESRD incident patients will elect PD.
- The model assumes an increase in incident PD use from 5% (actual) to 7% in the dual-eligible patients and from 6.8% (actual) to 10.1% for Medi-Cal only patients.
- The model calculates the 3-month savings associated with changing coverage from Medi-Cal to Medicare in dual-eligibles and the annual savings due to PD's lower costs (relative to hemodialysis [HD]) for Medi-Cal only patients.

RESULTS

Table 1. Model of Differences in Per Incident Patient Medicare and Medi-Cal Costs Between PD and HD

ASSUMPTIONS Per Dual-Eligible Patient	Medicare Costs 12-month*	Medicare Costs First 3 months**	Medi-Cal Costs First 3 months**	Medi-Cal Savings 12-month
HD	\$72,629	\$33,453	\$30,108	N/A
PD	\$56,980	\$26,245	\$5,249	\$24,859
Difference	\$15,649		\$24,859	
Difference with 10% Medi-Cal discount	\$14,084			

* 2010 USRDS

** 2009 Medi-Cal actual

Table 2. Model of PD Penetration in Incident Patients

ASSUMPTIONS Incident Patients	N	Target PD Penetration	Model PD	Annual Savings
Dual Eligible	1358		217	\$4.9 M
- "Crash"	815	10%	82	
- Non-"Crash"	543	25%	135	
Non-Medicare	1280		205	\$2.5 M
- "Crash"	768	10%	77	
- Non-"Crash"	572	25%	128	

SUMMARY of RESULTS

- On average, PD is estimated to be \$15-20,000 less costly than in-center hemodialysis on a per patient per year basis (Table 1).
- As a result, the estimated Medi-Cal savings of treating 217 additional dually-eligible incident patients with PD vs. HD is \$4.9M over 1 year and treating 205 additional non-Medicare eligible incident patients with PD vs. HD is \$2.5M (Table 2).
- The total annual Med-Cal savings estimate is \$7.4M/1 year.
- An additional ~\$1.4M in savings is assumed to carry over year-to-year. This amount is smaller due to the impact of patient mortality, transfer to in-center hemodialysis, or transplantation.

KEY LEARNINGS

- ✓ Increasing the utilization of PD among PD-suitable incident patients could save Medi-Cal between \$5 to \$10 million per year.
- ✓ This compares favorably to the \$6.1M that a 5% reduction in Medi-Cal dialysis reimbursement is estimated to net.
- ✓ PD utilization therefore warrants consideration by state decision-makers as a viable alternative to reimbursement cuts, since it can produce equal or greater savings without compromising patient outcomes.

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