
The Future of Dialysis

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Dialysis Industry Changes

- ▶ ESRD Funding 1972
- ▶ Medicare Composite Rate 1977
- ▶ Clinical Changes Late 80's
 - ▶ Volumetric dialysis machines
 - ▶ High flux dialysis
 - ▶ KT/V
 - ▶ Epogen
- ▶ Conditions for Coverage 2007
- ▶ Medicare PPS (Bundle) 2010

Dialysis Challenge



- Do More



- Do It Better



- Do It For Less



Dialysis Challenge

Do More

- Conditions for Coverage
- Technician certification
- Fire Life Safety codes



Do It Better

- Aging patient population
- Nursing Shortage
- QIP
- Fistula First
- Dialysis Facility Compare
- Dialysis Facility Report

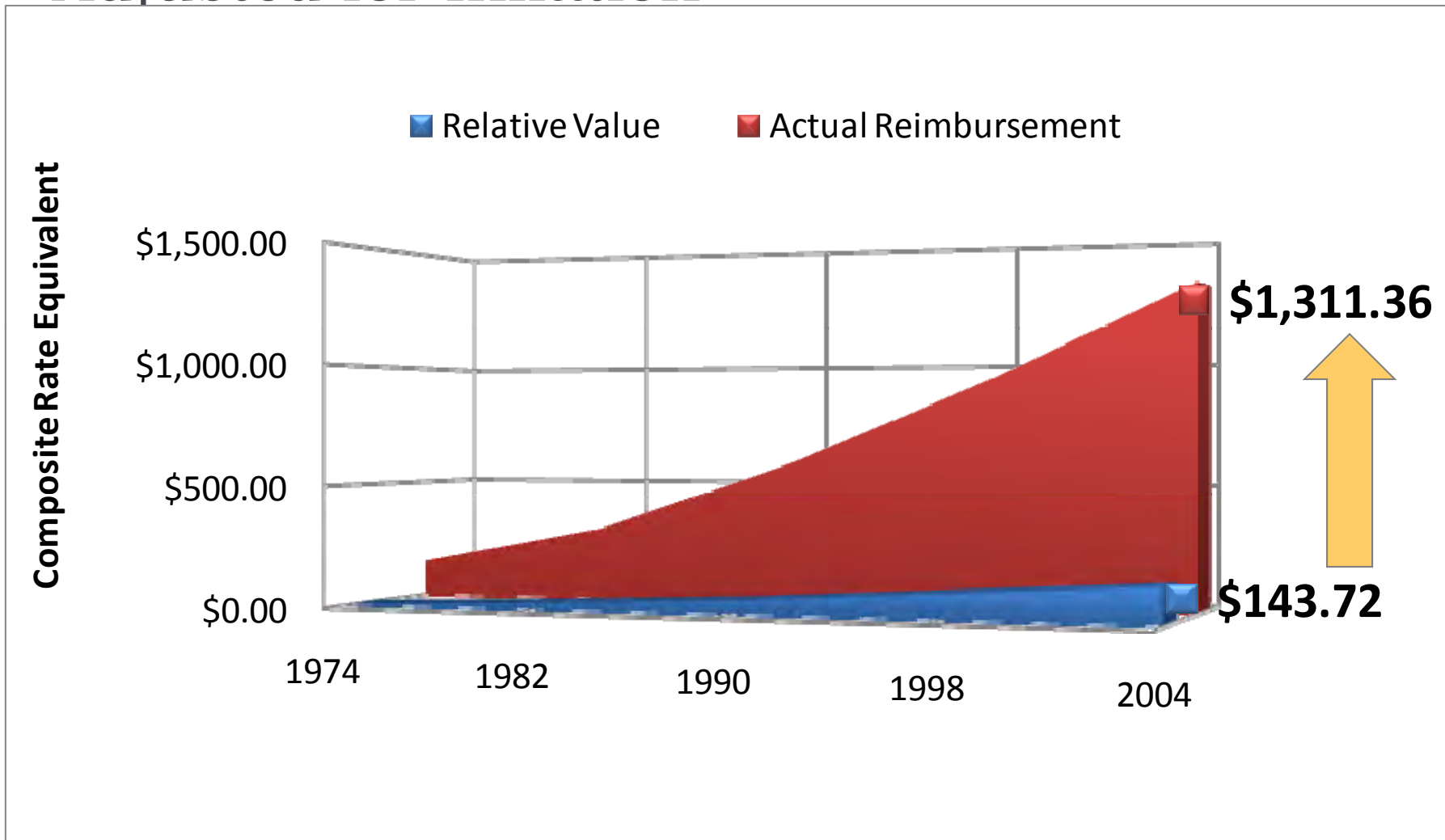


Do It For Less

- Medicare reimbursement is flat/declining
- Medicaid cuts
- Payor mix decline/contract pricing pressure
- Supply chain price increases

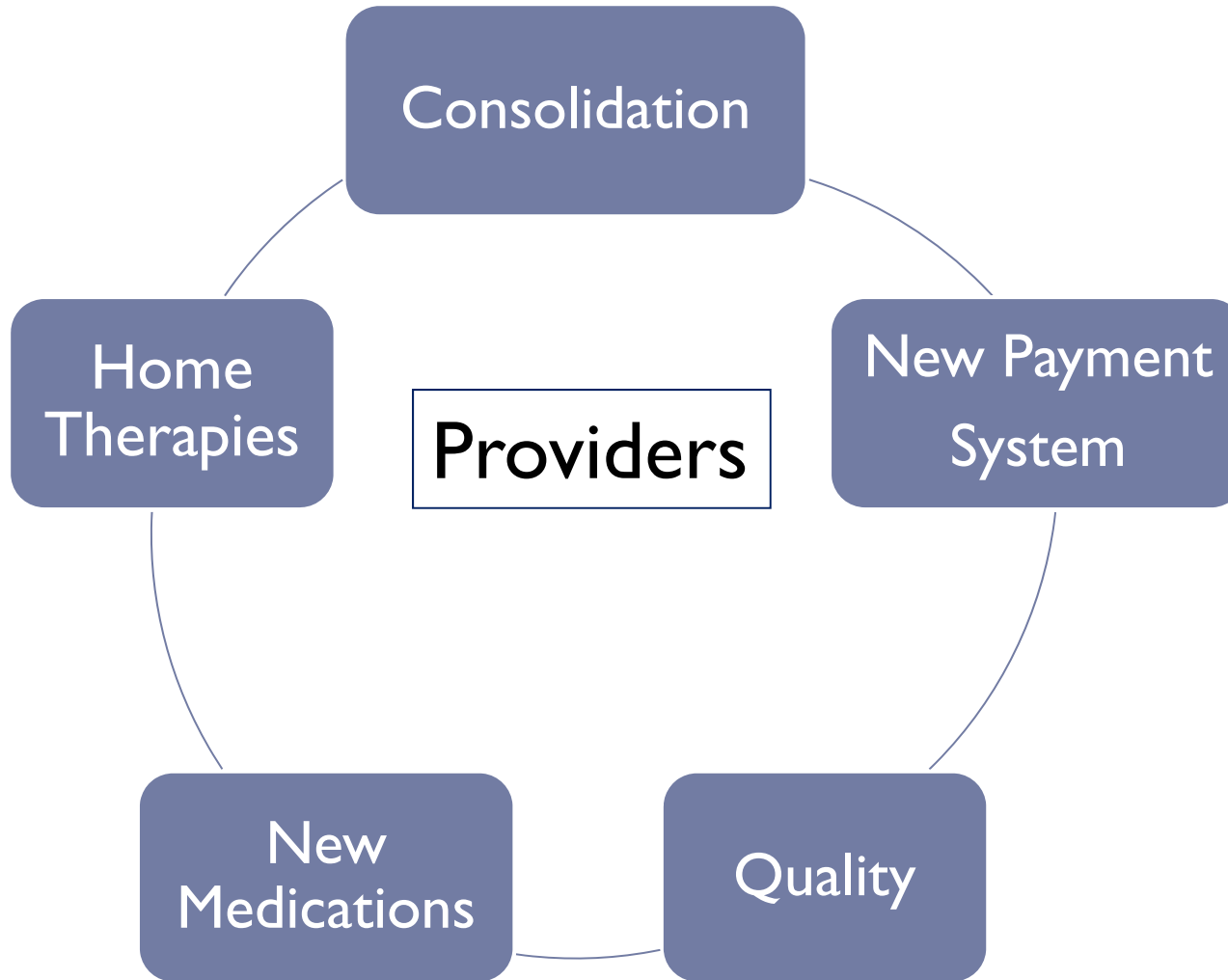


Medicare Reimbursement Adjusted for Inflation



1974 dollars adjusted using U.S. Bureau of Labor and Statistics CPI for Medical Care

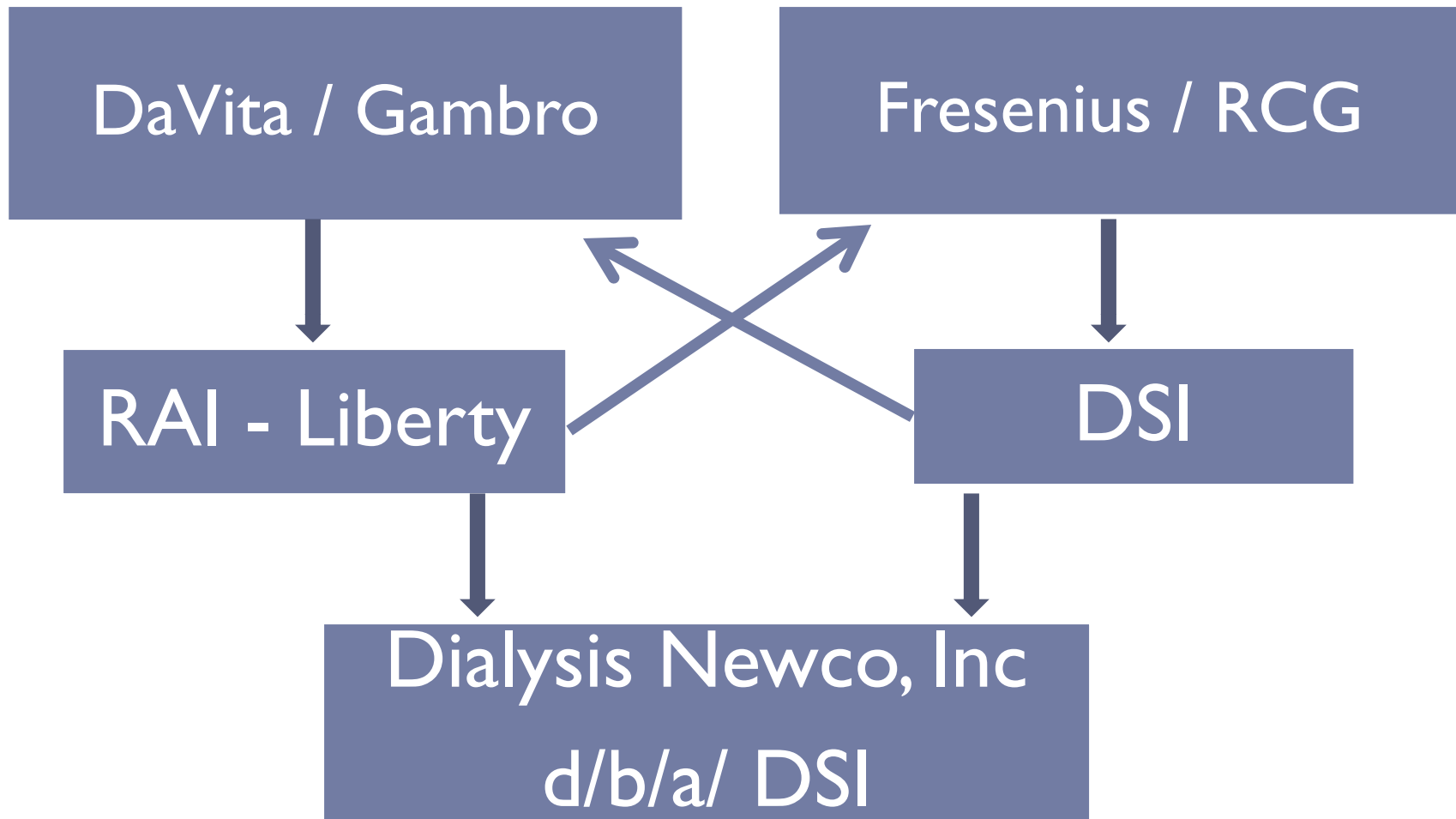
Current and Future Factors



Consolidation

- ▶ LDO's need growth but may be prohibited from purchasing additional MDO's due to Federal Trade Commission restrictions
 - ▶ Vertically integrated:
 - ▶ Supplies & equipment, lab, etc
 - ▶ Access centers
 - ▶ Accountable Care Organizations
 - ▶ International growth
- ▶ MDO's will continue to grow as a market segment
 - ▶ Will a couple of the MDO's get together to form a strong number 3 provider
 - ▶ Courted but never married (except Liberty / RAI)
- ▶ Independent Dialysis Centers
 - ▶ There will always has a place in the industry but to a lesser extent

Consolidation Musical Chairs



Payment Methodology Changes

- ▶ Medicare Prospective Payment System (PPS) or “the Bundle”
 - ▶ Changed the way providers look at the operations
 - ▶ We now have an “allowance”
 - ▶ 2011 was a transition year
 - ▶ 2012 provided a 1.8% increase to the Bundle
 - ▶ CMS has the ability to re-based the Bundle amount downward
 - ▶ Commercial insurance plans are seeking a bundle rate
- ▶ The inclusion of certain oral medications is the next big challenge the industry faces
- ▶ Accountable Care Organizations
 - ▶ The holistic look at the delivery of care and costs

Quality

- ▶ **Quality Incentive Plan (QIP)**

- ▶ First area of Medicare to be paid based upon clinical outcomes
 - ▶ “Payment for quality healthcare is no longer the payment system of the future; it’s the payment system of today.” - CMS
 - ▶ “The ESRD QIP is the leading edge of payment reform and can serve as an example to the healthcare system.” - CMS
- ▶ Penalty for lack of performance; up to 2% of Medicare reimbursement

- ▶ **2012 Clinical Measures: 90% weighting**

- ▶ HgB > 12 g/dL URR \geq 65%, Vascular access type

- ▶ **2012 Reporting Measures: 10% weighting**

- ▶ NHSN ICH CAHPS Mineral metabolism

New Medications

- ▶ **ESA's:**

- ▶ Peginestatide
- ▶ Micera
- ▶ Generics

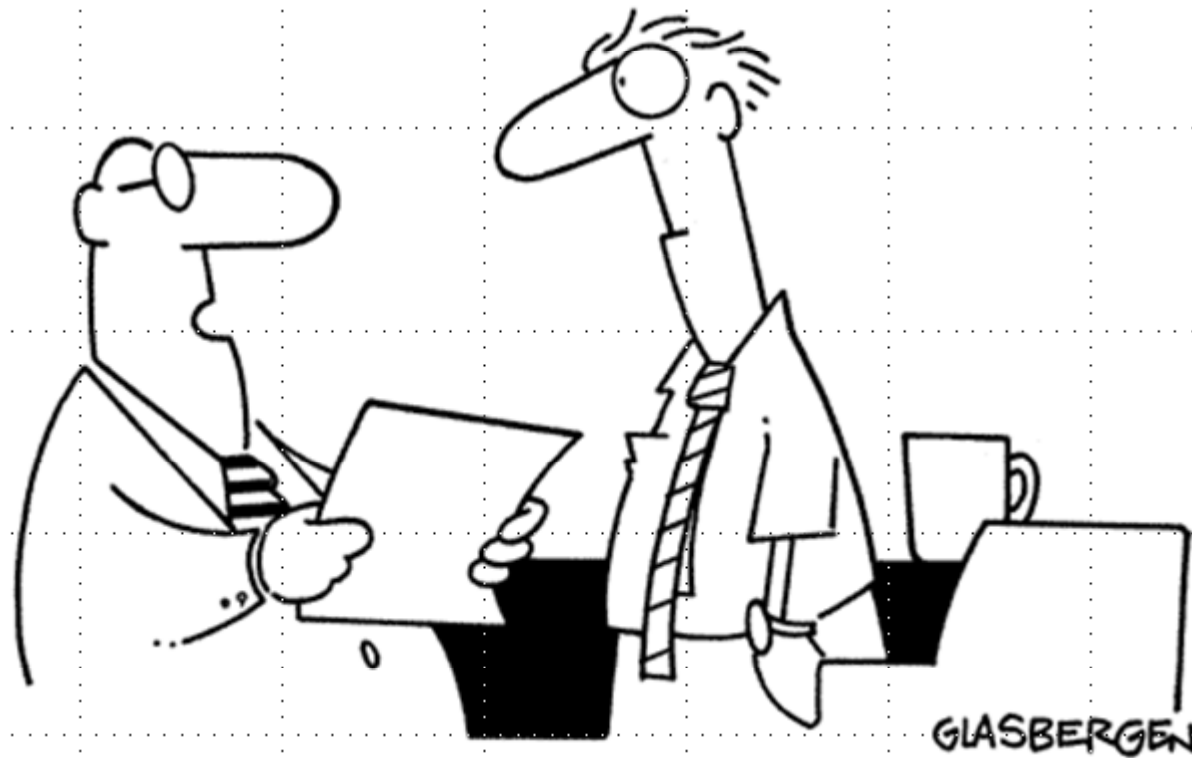
- ▶ **Oral Medications under the Bundle**

- ▶ Effective January 2014 dialysis providers must provide ESRD patients certain oral medications. They are primarily phosphate binders and Sensipar.
 - ▶ Great deal of concern about adequate reimbursement due to the fact the initial proposed regulations only provided \$14/treatment.
 - G.A.O. study concluded that if funding is not set properly patient care will suffer.
 - ▶ State pharmacy laws
 - ▶ Proper quantity and frequency to dispense to patients

Home Therapies

- ▶ The Bundle has increased the interest in home dialysis therapies
 - ▶ By CMS reimbursing home therapies at the same rate of as in-center hemodialysis CMS appears to be economics to help shift providers towards home therapies
 - ▶ Many believe that a well run home program has fewer costs than a traditional in-center program
- ▶ Providers should offer a range of therapies to meet the needs of patients and physicians
- ▶ I expect there to be an increase in manufacturer's home dialysis equipment and technologies in the near future

Change



“I want you to find a bold and innovative way to do everything exactly the same way it’s been done for 25 years.”

Navigating the Future



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