

<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 61</b>	<b>Date: NOVEMBER 24, 2006</b>
	<b>Change Request 5407</b>

**Subject: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2007**

**I. SUMMARY OF CHANGES:** Section 1881(b) of the Act, as amended by section 623 of the MMA, 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 calendar year (CY) 2007 CMS did not propose any significant changes to composite rate payment methodology, but CMS did make the following updates. The first is an update to the drug add-on adjustment to the composite rate; and second, an update to the wage index and transition.

**Effective Date: January 1, 2007**

**Implementation Date: January 2, 2007**

*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>
<b>R</b>	11/Table of Contents
<b>R</b>	11/30.5.1/New ESRD Composite Payment Rates

**III. FUNDING:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.

**IV. ATTACHMENTS:**

**Recurring Update Notification**

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

# Attachment – Recurring Update Notification

Pub. 100-02	Transmittal: 61	Date: November 24, 2006	Change Request 5407
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**SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2007**

**Effective Date:** January 1, 2007

**Implementation Date:** January 2, 2007

## I. GENERAL INFORMATION

**A. Background:** Section 1881(b) of the Act, as amended by section 623 of the MMA, 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 calendar year (CY) 2007 CMS did not propose any significant changes to composite rate payment methodology, but CMS did make the following updates. The first is an update to the drug add-on adjustment to the composite rate; and second, an update to the wage index and transition.

Section 623 of MMA established the drug add-on adjustment to the composite payment rate to account for the difference between payment amounts for separately billable drugs under pre-MMA payments and the new payment methodology established under that section of the statute. The current add-on adjustment is 14.5 percent and includes a 1.4 percent update for 2006. For CY 2007, the drug add-on adjustment to the composite payment rate is .5 percent. As a result, the drug add-on adjustment to the composite payment rate for 2007 will increase from 14.5 percent to 15.1 percent ( $1.145 \times 1.005$ ). Also, there are no policy changes to how CMS currently pays for separately billed ESRD drugs. Therefore, for 2007, payment for separately billable drugs furnished by ESRD facilities will continue at ASP +6 percent.

The second is an update to the wage index adjustments to reflect the latest hospital wage data, including a budget neutrality adjustment to the wage index for CY 2007. CY 2007 is the second year of the 4-year transition period. Consistent with the transition blends, CMS is implementing a 50/50 blend between an ESRD facility's MSA-based composite rate, and its CY 2007 CBSA-based rate reflecting its revised wage index values. Also, for CY 2007, CMS is reducing the wage index floor from 0.85 to 0.80. After applying a budget neutrality adjustment of 1.052818, the wage index floor is 0.8423.

**B. Policy:** Upon implementation of this instruction, the following changes will be applied to all Medicare certified ESRD facilities:

- Update the drug add-on adjustment to the composite rate for 2007 of 0.5 percent. As a result, the drug add-on adjustment to the composite payment rate for 2007 will increase from 14.5 percent to 15.1 percent.
- For 2007, continue to pay for separately billable drugs furnished by ESRD facilities at ASP +6 percent.
- Update the wage data and continue with the second year of the wage index transition, using a 50/50 blended wage adjusted composite rate.

## II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)												
		A / B  M A C	D M  M A C	F I	C A R R I E R	D M R E R C	R H I	Shared-System Maintainers				OTHER		
								F I S S	M C S	V M S	CWF			
5407.1	Medicare systems shall install the revised ESRD Pricer software module for claims with dates of service on or after January 1, 2007.									X				
5407.2	Medicare systems shall update the drug add-on for the 2007 ESRD Pricer to 15.1%.													ESRD Pricer
5407.3	Medicare systems shall update the wage index blend for the 2007 ESRD Pricer to 50/50.													ESRD Pricer
5407.4	Medicare systems shall adjust the 2007 ESRD Pricer floor to 0.8423.													ESRD Pricer

## III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)												
		A / B  M A C	D M  M A C	F I	C A R R I E R	D M R E R C	R H I	Shared-System Maintainers				OTHER		
								F I S S	M C S	V M S	CWF			
5407.5	A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles">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. 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 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational	X		X										

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M M A C	F I	C A R I E R	D M R C	R H I	Shared-System Maintainers			
							F I S S	M C S	V M S	CFW	
	events on this topic. 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.										

**IV. SUPPORTING INFORMATION**

**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:

**B. For all other recommendations and supporting information, use the space below:**

**V. CONTACTS**

**Pre-Implementation Contact(s):** For ESRD Policy, Lisa Hubbard (410) 786-5472, for Claims Processing, Wendy Tucker (410)786-3004.

**Post-Implementation Contact(s):** For ESRD Policy, Lisa Hubbard (410) 786-5472, for Claims Processing, Wendy Tucker (410)786-3004.

**VI. FUNDING**

**A. For TITLE XVIII Contractors, use only one of the following statements:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.

**B. For Medicare Administrative Contractors (MAC), use only one of the following statements:**

The contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts specified 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.

# Medicare Benefit Policy Manual

## Chapter 11 - End Stage Renal Disease (ESRD)

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### Table of Contents *(Rev. 61, 11-24-06)*

30.5.1 - *New ESRD Composite Payment Rates*

### **30.5.1 - New ESRD Composite Payment Rates**

*(Rev. 61, Issued: 11-24-06; Effective: 01-01-07; Implementation: 01-02-07)*

Congress has amended section 1881(b)(12) of the Social Security Act to provide for a 1.6 percent update to the ESRD composite payment rate, effective for dialysis treatment furnished on or after January 1, 2006.

In addition, because the drug add-on adjustment is determined as a percentage of the composite rate, it was necessary to adjust the drug add-on percentage to account for the 1.6 percent increase in the composite payment rate in order to ensure that the total dollars allocated from the drug add-on adjustment remains constant. Using the updated composite payment rates, the updated drug add-on adjustment is 12.9 percent. The inflation adjustment of 1.4 percent is unchanged. Therefore, the total drug add-on adjustment to the composite payment rate for 2006 is 14.5 percent instead of the 14.7 percent.

*For CY 2007 the drug add-on adjustment to the composite payment rate is .5 percent. As a result, the drug add-on adjustment to the composite payment rate for 2007 will increase from 14.5 percent to 15.1 percent ( $1.145 \times 1.005$ ).*