

ESRD DISEASE MANAGEMENT DEMONSTRATION FACT SHEET

Summary: The End Stage Renal Disease (ESRD) Disease Management Demonstration provides the opportunity for Medicare beneficiaries with ESRD to join integrated care management systems. The demonstration is designed to test the effectiveness of disease management models to increase quality of care for ESRD patients.

Background: Prior to this demonstration and the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), Medicare beneficiaries with ESRD were prohibited from enrolling in Medicare managed care plans. This disease management demonstration allows Medicare Advantage (MA) organizations to partner with dialysis organizations to enroll beneficiaries with ESRD in specified service areas. The demonstration plans operate like MA special needs plans. The dialysis/ MA organization must provide all Medicare covered benefits. CMS published a solicitation in the June 4, 2003 *Federal Register* outlining the requirements for the demonstration. Demonstration proposals from three dialysis/MA organizations were awarded in March 2004. Enrollment began on January 1, 2006 and the demonstration is scheduled to end on December 31, 2010. The organizations participating in the demonstration are:

- DaVita, a dialysis provider, has partnered with SCAN Health Plan to offer a demonstration plan in parts of San Bernardino and Riverside counties in California.
- Fresenius Medical Care North America, a dialysis provider, through its wholly owned subsidiary Fresenius Medical Care Health Plan, has partnered with:
 - Sterling Life Insurance Company in Philadelphia and Pittsburgh, Pennsylvania and Dallas, Houston and San Antonio, Texas;
 - American Progressive Life and Health Insurance Company in Boston and Springfield, Massachusetts, Hartford, Connecticut, Providence, Rhode Island, and New York City, New York; and
 - Pennsylvania Life Insurance Company in Huntsville, Alabama, East Bay and San Diego areas in California, Peoria, Illinois, Twin Cities area in Minnesota, Nashville, Tennessee and Austin and Fort Worth, Texas.
- Evercare, a managed care organization, also partnered with DaVita, a dialysis provider, to operate sites in Atlanta, Georgia and Tucson, Arizona. Evercare ended its participation in the demonstration effective December 31, 2008.

Payment Methodology: Organizations serving ESRD patients receive the same risk-adjusted ESRD capitation payments as the MA program overall – with separate rates for dialysis, transplant, and post-transplant modalities. However, the actual payment amounts are reduced by five percent, which are available to the organizations depending on performance on quality measures (see Quality Incentive Payment section).

Financial Risk: As required, the demonstration plans include among their partners MA organizations, which have risk-bearing licenses that meet State requirements. In addition, CMS approved risk sharing arrangements with some of the organizations, sharing financial gains and losses above a two percent threshold around a stated Medical Loss Ratio for contract years 2006-2008.

Supplemental Coverage: Under the demonstration, an organization receiving a fully capitated payment may make arrangements to bill existing Medigap policies or bill Medicaid for the amount of cost-sharing that otherwise would be paid under Medicare fee-for-service. The demonstration organizations are able to make such arrangements with Medigap plans and State Medicaid agencies.

Quality Incentive Payment: CMS withholds five percent of the capitation payment as part of a Quality Incentive Payment. Organizations are able to earn back withheld payment through acceptable and improved performance on the quality measures. CMS has determined six dialysis-related indicators on which performance is assessed. These indicators and standards were developed in consultation with participating organizations and with the CMS implementation contractor, Arbor Research Collaborative for Health.

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