End Stage Renal Disease (ESRD)

AN OVERVIEW OF ESRD, TREATMENT COSTS & COVERAGE

WSHIP Board Meeting – January 14, 2015 – Lisa Matthews and Sharon Becker
Kidney Disease - Facts & Figures

• 1 in 10 people have some level of chronic kidney disease (CKD); 9 out of 10 people with stage 3 CKD (moderately decreased kidney function) do not know they have it.

• **End stage renal disease (ESRD)** is the last stage of CKD (stage 5) when kidneys cannot function effectively and dialysis or transplant is necessary to live.

• More than 114,000 people in the United States were newly diagnosed with ESRD in 2012 (latest available data); new cases have declined for the third year in a row (3.7% from 2011 to 2012) potentially signaling a downward trend.

• Despite the decrease in incidence, more than 636,000 patients were treated for ESRD in 2012 -- a 1.3% increase from the prior year; about 70% are on dialysis and 30% are transplant patients.

• The demand for transplants far exceeds the number of available organs; in 2013, 16,892 kidney transplants were performed; as of February 2014, more than 99,000 people were on the waiting list for a kidney transplant.

• Diabetes and high blood pressure are the leading causes of ESRD.

*Data Sources: Centers for Disease Control and Prevention; United States Renal Data System (2014 Annual Data Report); Organ Procurement and Transplantation Network*
Trends in the Number of Prevalent Cases of ESRD in the U.S. Population, 1980-2012

Data Source: United States Renal Data System (2014 Annual Data Report, Volume 2: End Stage Renal Disease, Reference Table D.1)
Medicare Covers ESRD Patients Regardless of Age

**Background** - In 1972, Congress passed a law to provide Medicare coverage to ESRD patients, *regardless of age.*

- Total costs were expected to be low because only 16,000 people required dialysis in 1972.
- Since then, the program has grown substantially, both in terms of patients served and spending:
  - *The number of people requiring dialysis climbed from 16,000 in 1972 to over 448,000 in 2012 because diabetes and hypertension rates increased, and improvements in care allows more patients to reach ESRD.*
  - *Spending on dialysis underwent tremendous growth, fueled in part by the introduction of biologic drugs in the early 1990’s to treat anemia, a common condition in patients with ESRD.*
- Initially paying on a fee-for-service basis, Medicare’s ESRD program has undergone several payment reforms, most recently changing to a bundled prospective payment system (PPS) in 2011 which includes the cost of dialysis, all injectable medications or their oral equivalents (including anemia drugs), and dialysis-related laboratory tests.

Sources: "Medicare’s Payment Strategy For End-Stage Renal Disease Now Embraces Bundled Payment And Pay-For-Performance To Cut Costs." Health Affairs, Sept. 2012; United States Renal Data System (2014 Annual Data Report)

**Medicare Coverage for ESRD**

- Medicare coverage usually starts on the first day of the fourth month of dialysis.
- When eligible only because of ESRD, coverage ends 12 months after stopping dialysis or 36 months after transplant.
- ESRD patients are eligible for Original Medicare only – not a Medicare Advantage Plan. Medicare is secondary to group health plans for the first 30 months of ESRD treatment, then Medicare is automatically primary.
- ESRD patients under age 65 are not required to enroll in Medicare.
Costs of Treating ESRD

• The ESRD population is less than 1% of the Medicare population but it accounts for nearly 6% of Medicare spending.

• Medicare spending and patient obligations rose 3.5% and 2.8%, respectively, in 2012 compared to 2011, marking the second year of modest growth relative to historical trends following implementation of the bundled payment system.

• Treatment costs to Medicare per patient, per year in 2011 were:
  • Dialysis:  $72,000 – $88,000 a year
  • Transplant:  About $98,000 in the year a patient has a transplant, and about $12,000 a year thereafter.  This equates to about $33,000 per transplant patient, per year.

• Patients are responsible for the remaining 20% not covered by Medicare.
  • Financial help for low-income ESRD patients is available from the Kidney Disease Program.  This is a state-funded program administered by the Health Care Authority.  It currently contracts with 12 dialysis providers that work within a $2.174 million budget, serving on average about 600 ESRD patients.
  • Financial help for paying Part B Medicare and other insurance premiums is available from the American Kidney Fund for dialysis patients with insufficient income and savings.  This is a national, non-profit organization funded by voluntary contributions from dialysis providers.

• Transplant patients who are eligible for Medicare only because of ESRD must cover the full cost of their lifetime anti-rejection medications once they are 3 years post kidney transplant (about $12,000 – 19,000 per year).
Medicare ESRD Expenditures, by Medicare and Patient Obligation

Data Source: United States Renal Data System (2014 Annual Data Report, Volume 2: End Stage Renal Disease, Figure 9.1)
Gaps in Access to Supplemental Coverage for ESRD Treatment

A Medicare supplement plan is essential to most ESRD patients due to the high costs of ESRD treatment.

**Gaps in Access to Medicare Supplement Plans**

- Individuals over age 65 who do not purchase a Medicare supplement plan during the period when there is no medical underwriting (six month period following eligibility), are denied coverage.
- Medicare supplement plans for people under age 65 continue to be scarce. (There is no requirement in federal law to offer supplement plans to Medicare beneficiaries under age 65.)

**Implications for ESRD patients in Washington State**

- According to the most recent ESRD Network 16 Annual Report, Washington State’s statistics are as follows:
  - 801 people between the ages of 20-64 were newly diagnosed with ESRD; compared with 837 people over age 65
  - 6,467 ESRD patients were receiving dialysis
  - 399 ESRD patients received transplants and 1,113 were on the waiting list for a transplant
- There are no Medicare supplement plans available in the private market to ESRD beneficiaries who are past their six month guaranteed issue period.
- There are only two Medicare supplement plans available in select areas of Washington to ESRD patients under age 65. *(WSHIP’s Basic Plan currently serves to fill these gaps in access to supplemental coverage.)*