

## NEWS – CONGRESSMAN PETE STARK

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### **GAO REPORT EVALUATES PAYMENT BUNDLING FOR DIALYSIS TREATMENT**

*CMS Affirms Commitment to Monitoring the Quality of Care for ESRD Patients*

WASHINGTON – Rep. Pete Stark (D-CA), Chair of the House Ways and Means Health Subcommittee, and Rep. John Lewis (D-GA), Chair of the House Ways and Means Oversight Subcommittee, today released a report by the Government Accountability Office (GAO) on the new Medicare bundled payments for dialysis services that will begin January 1, 2011. Bundled payments will drive more efficient provision of quality care, and Reps. Stark and Lewis requested the report to assess whether there are unique factors that would affect continued access to care under the new payment system, particularly for vulnerable populations.

The study found:

- Populations of dialysis patients have varying costs. African-Americans, dually eligible and younger ESRD patients have higher-than-average costs, and Asian-Americans and elderly patients have lower-than-average costs;
- A majority of clinicians surveyed said that clinical factors, not demographics, drive variation in expenditures;
- GAO recommended that CMS monitor access to and quality of care for certain beneficiary groups as soon as possible after implementation of the new system;
- In response to the report, the Centers for Medicare and Medicaid Services (CMS) announced their intention to have a comprehensive system in place to monitor the quality of care once the bundled payment system is implemented next year.

"The current payment system for dialysis services creates incentives for overprovision of certain drugs, which can have detrimental health effects for patients," said Rep. Stark. "Bundling payments for dialysis patients reduces those inefficiencies, which is better for patients, but CMS needs to have a system in place to monitor the quality of care that dialysis patients receive – especially vulnerable patients. I thank CMS for assuring us that they will implement a rigorous monitoring strategy by the time the new bundled payment system goes into effect next year, on top of all the other patient protections already in the law."

Today, CMS sent the following letter to Reps. Stark and Lewis outlining their commitment to have a monitoring system in place by January 1, 2011 and agreeing to brief the Ways and Means Committee

on the monitoring strategy in advance of the implementation of bundled payments:  
<http://go.usa.gov/ipG>

In addition to the monitoring strategy, the law provides protections that will ensure continued access for vulnerable populations by requiring risk adjustment of payments, additional payments for outlier cases, and a quality incentive program that incentivizes providers to meet certain quality standards.

"As we transition to bundled payments, CMS has a duty to ensure that vulnerable populations continue to have access to effective dialysis treatment through Medicare," said Rep. Lewis. "A robust monitoring system that takes into account the unique needs of vulnerable populations is a critical and important step in ensuring that bundled payments will not have a negative impact on the care that all ESRD patients receive."

For a link to the GAO report, please visit: <http://go.usa.gov/ipf>

Background:

In 2008, the Medicare Improvements for Patients and Providers Act (MIPPA) enacted bundling of payments for ESRD treatment, based on recommendations from the GAO and the Medicare Payment Advisory Commission (MedPAC). Under the current system, Medicare overpays for drugs used to treat anemia, such as Epogen, which creates financial incentives for higher dosing of such drugs. Higher dosing that raises red blood cell levels too high creates health risks for patients, as outlined in a Food & Drug Administration (FDA) black box label.

According to the GAO report released today, these financial incentives "could have adverse effects on ESRD patients and contribute to unnecessary Medicare spending." The FDA's black box warnings and public health advisories warn patients of the greater risks for death, serious cardiovascular events and stroke associated with use of Epogen. Most recently, the FDA is requiring Epogen to be prescribed and used under a risk management program to ensure safe use of this drug. Furthermore, MedPAC has advised that a broad payment bundle would encourage more efficient use of ESRD drugs and promote access to quality care. In testimony before the Ways & Means Subcommittee on Health in 2007, the Department of Health and Human Services Office of Inspector General quantified Medicare's overpayments for certain drugs, testifying that dialysis facilities were able to acquire the most widely used ESRD drugs for as much as 10 percent below Medicare reimbursement levels.