

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: Ordinarily, Medicare beneficiaries with ESRD are prohibited from enrolling in Medicare Advantage (MA) plans. This demonstration makes an exception to this rule, allowing MA organizations to partner with dialysis organizations to enroll beneficiaries with ESRD in specified service areas. The demonstrations 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. The organizations participating in the demonstrations are:

- DaVita, a dialysis provider, has partnered with SCAN Health Plan to offer a demonstration in parts of San Bernadino and Riverside counties in California.
- Fresenius Medical Care North America, a dialysis provider, through its wholly owned subsidiary Fresenius Medical Care Health Plan partnered with Sterling Life Insurance Company in Philadelphia and Pittsburgh, Pennsylvania and Dallas, Houston and San Antonio, Texas and partnered with American Progressive Life and Health Insurance Company in Boston and Springfield, Massachusetts to offer demonstration plans. Starting in 2007, Fresenius will expand into Alabama, California, Connecticut, and Tennessee with its partner, Pennsylvania Life Insurance Company.
- Evercare, a managed care organization, has also partnered with DaVita, a dialysis provider, to operate a site in Atlanta, Georgia. Starting in 2007, Evercare will expand into Massachusetts and Arizona.

Payment Methodology: Organizations serving ESRD patients will receive the same risk-adjusted ESRD capitation payment as for the MA program overall – with separate rates for dialysis, transplant, and post-transplant modalities. The actual payment amount, however, will be reduced by 5 percent, which will be available to the organizations depending on performance on quality measures.

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 has approved risk sharing arrangements with two of the organizations, sharing

financial gains and losses above a 2 percent threshold around a stated Medical Loss Ratio.

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 will make such arrangements with Medigap plans and State Medicaid agencies.

Quality Incentive Payment: CMS will withhold five percent of the capitation payment as part of a Quality Incentive Payment. Organizations will be able to earn back withheld payment through acceptable and improved performance on the quality measures. CMS has determined 6 dialysis-related indicators on which performance will be assessed. These indicators and standards were developed in consultation with participating organizations and with the CMS implementation contractor, Arbor Research.

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