

Whitepaper

Renewed Focus on the Value of Kidney Care as ESRD Transforms Medicare Advantage Markets

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~37M

Number of Americans
affected by chronic
kidney disease

Introduction

CMS has increased its focus on transforming kidney care for those with chronic kidney disease, which affects approximately 37 million Americans, to prevent the progression into End-Stage Renal Disease (ESRD). Patients with ESRD require dialysis and only have a survival rate of 50% within 5 years if they do not receive a kidney transplant. Regulatory efforts have concentrated on value-based care (VBC) models to improve the continuum of care, helping patients better understand their treatment options, early referrals to nephrologists, and increased care coordination by multidisciplinary care teams. ESRD costs are a high proportion of Medicare expenditures and patients are characterized by multiple comorbidities and significant health disparities. Many patients living with CKD are unaware of their condition until their kidneys fail, highlighting the need for early interventions.

Market Overview

The passage of the 21st Century Cures Act allowed Medicare ESRD patients to enroll in Medicare Advantage (MA) plans for the first time beginning in 2021, a population that was previously restricted to fee-for-service Medicare. This has led to large increases of ESRD patients in MA plans within the last 2 years, a population with much higher costs and more complex health needs or outlier costs. Also in recent years, CMS has created two add-on payments methodologies for innovative ESRD technologies: the Transitional Add-on Payment Adjustment for New and Innovative Equipment and Supplies ([TPNIES](#)) and the Transitional Drug Add-on Payment Adjustment ([TDAPA](#)) for renal dialysis drugs and biologics. In response, new businesses have emerged to increase the value of kidney care and prevent disease progression in patients alongside the development of both medical devices for at-home dialysis and new pharmaceutical treatments.

Value-Based Care Models in Medicare

Regulations from HHS and CMS have also helped introduce market incentives to increase kidney transplantation, facilitate the adoption of new dialysis treatments, and increase rates of home dialysis. CMS released the [2023 ESRD Prospective Payment System \(PPS\) Proposed Rule](#) on June 21, 2022, to update payment rates and policies for dialysis services provided to Medicare beneficiaries, make certain changes to TDAPA, and refine the ESRD Treatment Choices (ETC) Model run by the CMS Innovation Center. The [ETC](#) model began on January 1, 2021 with mandatory participation for a

random sample of 30% of dialysis centers (more than 2,000 facilities) across the US evaluated against other treatment centers not in the model. At the same time, the Kidney Care Choices (KCC) model is a voluntary, physician-led demonstration with the goal of improving care through an accountable care organization-like system with different levels of risk and the potential for shared savings.

\$51B

Amount of Medicare budget used on ESRD care each year

Private Sector Value-Based Kidney Care

ESRD-focused value-based care companies can help payers and providers manage a population which now accounts for a significant percentage of all Medicare spending – about [\\$51 billion](#) each year and 7% of the entire Medicare budget, fueled by increases in the use of certain high-cost drugs and disproportionate healthcare utilization. Value-focused companies, with technology platforms like [Strive](#) and others, are working directly with payers to support CMS quality improvement initiatives that prevent ESRD and lower total costs. Another company, Interwell Health, was created in 2019 and combines value-based care, digital health applications, data analytics, and physician networks. Private investment and stakeholder interest in ESRD cost-containment solutions is likely to increase even further in 2023 and beyond. The future success of various ESRD ventures will depend on factors related to the enrollment by plan type, the utilization of new treatments and medical devices, and the success of value-based care models for both Medicare and commercial payers.

SCALE Market Research and Payer Strategy can help your business better understand policy governing the ESRD market and coverage shifts while preparing for changes in health plan negotiations for the MA market. To learn more about the kidney care space and potential market and policy shifts, connect with us.

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