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June 22, 2007

The Honorable Pete Stark
Chairman, Health Subcommittee
Ways and Means Committee
U.S. House of Representatives
1135 Longworth House Office Building
Washington, DC 20515

Re: Kaiser Permanente Southern California (KPSC) Renal Program Experience with Bundled Payment and Subcutaneous Use of EPO

Dear Chairman Stark:

In response to an invitation from your staff to submit information for the subcommittee hearing on June 26th, Kaiser Permanente Southern California (KPSC) Region is providing information from our experience regarding: 1) subcutaneous administration of erythrocyte stimulating agents (ESAs) for the majority of our hemodialysis patients; 2) bundling of payment for hemodialysis and dialysis-related services; and 3) provision of short daily hemodialysis.

Based on our experience in southern California, we have found that subcutaneous administration of Epogen is an efficient method of delivery and can lower dosing levels and costs. We have also found that bundled payments are an effective way to pay dialysis centers and are consistent with both positive health outcomes for beneficiaries and efficient use of Epogen.

Use of Subcutaneous Epoetin

Following the release of the original National Kidney Foundation DOQI guidelines in 1997 which supported subcutaneous administration of epoetin, KPSC undertook a quality initiative to convert hemodialysis patients from intravenous to subcutaneous use. The program allowed for exceptions based on medical considerations and patient preference. Most hemodialysis patients chose subcutaneous administration, and we have continued to maintain the majority of them on subcutaneous administration (80% as of 12/31/2006). Importantly, we have found that when given medical and cost information, most hemodialysis patients prefer to receive subcutaneous epoetin – for many it is a welcome chance to reduce the cost of their treatments which they recognize as being very expensive.

We have found and reported that the dose required for subcutaneous epoetin in hemodialysis patients is about 28% less than for intravenous epoetin (*American Society of Nephrology* abstract, 2001). This is similar in magnitude to several other published reports.

In addition, all KPSC patients on peritoneal dialysis utilize subcutaneous epoetin.

Dialysis and Dialysis-related Services Bundling

There is currently much interest and debate surrounding proposals to combine payment for medications and laboratory testing into a "bundled" Medicare dialysis payment. Some believe that such a strategy could lead to adverse patient outcomes, and further, that any bundled payment should be stratified to increase payment for patients with multiple co-morbidities. In this light, we wish to make the committee aware of our successful experience in the bundling of payment for dialysis and dialysis-related services.

The majority of our hemodialysis patients are either insured by Medicare (primary or secondary), most under the Medicare Advantage program (Kaiser Permanente Senior Advantage), or are enrolled in commercial Kaiser Foundation Health Plan coverage. Therefore, we are the direct payers for hemodialysis services, much the same as traditional Medicare is for the majority of beneficiaries needing dialysis.

KPSC adopted a bundled payment model for dialysis in 1999. This bundled payment model is now used for 53 percent of our hemodialysis patients (1957 out of 3675 hemodialysis patients, as of June 20, 2007).

The services included in these contracts have varied over time, but now include the dialysis treatment, non-oral medications including EPO, iron and vitamin D sterols, monthly routine laboratory tests and additional, non-emergent laboratory tests. Payment levels are not risk stratified for co-morbid conditions or other factors. In one contract with a dialysis provider, each facility is eligible for a performance incentive payment linked to patient satisfaction and nephrologist satisfaction.

Our quality monitoring, through both our internal quality program and our dialysis provider's quality programs, indicate that our hemodialysis patients have very good outcomes. Measured outcomes include the adequacy of the dialysis treatments, anemia outcomes, mineral metabolism outcomes and patient satisfaction.

The majority of dialysis services for our 400+ peritoneal dialysis patients are provided internally, so we do not have experience in the bundling of payments to third party providers for this modality.

More Frequent Dialysis and Home Hemodialysis

Your staff also asked about the KPSC experience with more frequent dialysis, particularly as utilized for short daily home hemodialysis (SDHHD). KPSC is gaining experience with SDHHD, and our program, based at our Los Angeles Medical Center, has recently published their results, showing positive outcomes, including improved quality of life (*Hemodialysis International*, Volume 11, Issue 2, pp. 225-230, April 2007).

Thank you for your interest in some of the innovative programs we have at Kaiser Permanente. Please do not hesitate to contact Fish Brown in our Washington, D.C. office with additional questions, as we would be happy to provide whatever information we can to assist you and your staff.

Sincerely,

Peter Crooks, MD
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Associate Medical Director of Operations
Kaiser Permanente Southern California