CMS to participate in Medicare as an ESRD supplier; or
(2) Any approved independent facility with a written agreement with the Secretary. Under the agreement, the independent ESRD facility agrees—
(i) To maintain compliance with the conditions for coverage set forth in part 494 of this chapter and to report promptly to CMS any failure to do so; and
(ii) Not to charge the beneficiary or any other person for items and services for which the beneficiary is entitled to have payment made under the provisions of this part.
(c) CMS publishes the methodology used to establish payment rates and the changes specified in §413.196(b) in the FEDERAL REGISTER.
§413.174 Prospective rates for hospital-based and independent ESRD facilities.
(a) Establishment of rates. CMS establishes prospective payment rates for ESRD facilities using a methodology that—
(1) Differentiates between hospital-based providers of services and independent ESRD facilities for items and services furnished prior to January 1, 2009;
(2) Does not differentiate between hospital-based providers of services and independent ESRD facilities for items and services furnished on or after January 1, 2009; and
(3) Requires the labor share be based on the labor share otherwise applied to independent ESRD facilities when applying the geographic index to hospital-based ESRD providers of services, on or after January 1, 2009.
(b) Determination of independent facility. For purposes of rate-setting and payment under this section, CMS considers any facility that does not meet all of the criteria of a hospital-based facility to be an independent facility. A determination under this paragraph (b) is an initial determination under §498.3 of this chapter.
(c) Determination of hospital-based facility. A determination under this paragraph (c) is an initial determination under §498.3 of this chapter. CMS determines that a facility is hospital-based if the—
(1) Facility and hospital are subject to the bylaws and operating decisions of a common governing board. This governing board, which has final administrative responsibility, approves all personnel actions, appoints medical staff, and carries out similar management functions;
(2) Facility’s director or administrator is under the supervision of the hospital’s chief executive officer and reports through him or her to the governing board;
(3) Facility personnel policies and practices conform to those of the hospital;
(4) Administrative functions of the facility (for example, records, billing, laundry, housekeeping, and purchasing) are integrated with those of the hospital; and
(5) Facility and hospital are financially integrated, as evidenced by the cost report, which reflects allocation of overhead to the facility through the required step-down methodology.
(d) Nondetermination of hospital-based facility. In determining whether a facility is hospital-based, CMS does not consider—
(1) An agreement between a facility and a hospital concerning patient referral;
(2) A shared service arrangement between a facility and a hospital; or
(3) The physical location of a facility on the premises of a hospital.
(e) Add-on amounts. If all the physicians furnishing services to patients in an ESRD facility elect the initial method of payment (as described in §414.313(c) of this chapter), the prospective rate (as described in paragraph (a) of this section) paid to that facility is increased by an add-on amount as described in §414.313.
(f) Additional payment for separately billable drugs and biologicals. Prior to January 1, 2011, CMS makes additional payment directly to an ESRD facility for certain ESRD-related drugs and biologicals furnished to ESRD patients.
(1) Only on an assignment basis, directly to the facility which must accept, as payment in full, the amount that CMS determines;
(2) Subject to the Part B deductible and coinsurance;
(3) For drugs furnished prior to January 1, 2006, payment is made to hospital-based ESRD providers of services on a reasonable cost basis. Effective January 1, 2006, and prior to January 1, 2011, payment for drugs furnished by a hospital-based ESRD provider of service is based on the methodology specified in §414.904 of this chapter.
(4) For drugs furnished prior to January 1, 2006, payment is made to independent ESRD facilities based on the methodology specified in §405.517 of this chapter. Effective January 1, 2006, and prior to January 1, 2011, payment for drugs and biological furnished by independent ESRD facilities is based on the methodology specified in §414.904 of this chapter.
(5) Effective January 1, 2011, except as provided below, payment to an ESRD facility for renal dialysis service drugs and biologicals as defined in §413.171, furnished to ESRD patients on or after January 1, 2011 is incorporated within the prospective payment system rates established by CMS in §413.230 and separate payment will no longer be provided.
(6) Effective January 1, 2025, payment to an ESRD facility for renal dialysis service drugs and biologicals with only an oral form furnished to ESRD patients is incorporated within the prospective payment system rates established by CMS in §413.230 and separate payment will no longer be provided.

§ 413.176 Amount of payments.
For items and services, for which payment is made under section 1881(b)(7), section 1881(b)(12), and section 1881(b)(14) of the Act:
(a) If the beneficiary has incurred the full deductible applicable under Part B of Medicare before the dialysis treatment, Medicare pays the ESRD facility’s prospective rate and pays the facility 80 percent of the remainder, if any.

§ 413.177 Quality incentive program payment.
(a) With respect to renal dialysis services as defined under §413.171, except for those renal dialysis services furnished during payment year 2022, in the case of an ESRD facility that does not earn enough points under the program described at §413.178 to meet or exceed the minimum total performance score (as defined at §413.178(a)(8)) established by CMS for a payment year (as defined at §413.178(a)(10)), payments otherwise made to the facility under §413.230 for renal dialysis services during the payment year will be reduced by up to 2 percent as follows:
(1) For every 10 points that the total performance score (as defined at §413.178(a)(14)) earned by the ESRD facility falls below the minimum total performance score, the payments otherwise made will be reduced by 0.5 percent.
(2) [Reserved]
(b) Any payment reduction will apply only to the payment year involved and will not be taken into account in computing the single payment amount under this subpart for services provided in a subsequent payment year.

§ 413.178 ESRD quality incentive program.
(a) Definitions. As used in this section:
(1) Achievement threshold means the 15th percentile of national ESRD facility performance on a clinical measure during the baseline period for a payment year.
(2) Baseline period means, with respect to a payment year, the time period used to calculate the performance standards, benchmark, improvement threshold and achievement threshold that apply to each clinical measure for that payment year.
(3) Benchmark means, with respect to a payment year, the 90th percentile of