

CMS Announces Early Termination of the ESRD Treatment Choices (ETC) Model - Financial and Operational Implications for Participants

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On March 12, 2025, the CMS announced its intent to terminate the ESRD Treatment Choices (“ETC”) Model as of December 31, 2025, two years ahead of its original end date.

This decision, which will be implemented through forthcoming rulemaking, is part of the CMS’s broader initiative to phase out models that are underperforming in terms of cost savings, misaligned with long-term policy goals, or creating financial inefficiencies. The CMS has stated that the termination aligns with its statutory mandate to improve model efficiency and protect taxpayer funds, concluding that transitioning beneficiaries into more permanent, value-based care programs would be a more effective approach.

The ETC Model, which began on January 1, 2021, was introduced as part of the 2019 Advancing American Kidney Health Executive Order and was the first mandatory kidney care model designed to increase home dialysis utilization and kidney transplantation rates. The model required all dialysis facilities and nephrologists in randomly selected Hospital Referral Regions (“HRRs”) to participate, applying payment adjustments to Medicare Fee-for-Service (“FFS”) claims to incentivize greater use of home dialysis and transplants. These adjustments included both positive incentives and negative penalties, escalating in magnitude over time.

The termination of the ETC Model has significant financial and operational implications for dialysis providers, nephrologists, and participants in the Comprehensive Kidney Care Contracting (“CKCC”) Model. The removal of ETC payment adjustments will require the CMS to recalibrate total cost of care (“TCOC”) benchmarks for CKCC participants. While the CMS has not yet issued formal guidance on the exact timing of these recalibrations, precedent suggests that adjustments will likely be incorporated into the financial reconciliation process for 2026 to ensure CKCC participants are not negatively impacted by the elimination of ETC-related payment structures.

Financial and Reimbursement Impact of ETC Termination

Under the ETC Model, the CMS modified Medicare FFS reimbursements through two primary payment mechanisms:

- The Home Dialysis Payment Adjustment (“HDP”), which provided temporary increased reimbursement for home dialysis claims from 2021 to 2023. Since the HDP had already expired as of 2024, its termination has no additional financial impact.

- The Performance Payment Adjustment (“PPA”), which applied both positive and negative payment adjustments to all Medicare FFS dialysis claims, with risk levels escalating through 2027. Providers who met home dialysis and transplant benchmarks received positive adjustments, while those who did not were subject to penalties of up to 10%.

With the early termination of the ETC Model at the end of 2025, these performance-based adjustments will be discontinued, and all dialysis facilities and nephrologists will return to standard Medicare reimbursement rates in 2026.

The financial impact of this change will vary by provider:

- Providers who were subject to PPA penalties will benefit, as they will no longer face reduced reimbursements on dialysis claims.
- Providers who were receiving positive PPA adjustments will lose these financial incentives, potentially impacting revenue projections for organizations that had incorporated these bonuses into their financial planning.

Impact on CKCC Model and Total Cost of Care Benchmarks

Because the ETC Model’s reimbursement adjustments directly affected the total cost of care calculations, CKCC participants have relied on benchmarks that were artificially suppressed due to the model’s downward payment adjustments. Under the CKCC Model, participating nephrologists and dialysis organizations are financially accountable for the total cost of care for ESRD patients, meaning that benchmark calculations were based, in part, on the lower reimbursement rates created under ETC.

With the termination of the ETC Model, the CMS is expected to adjust CKCC benchmarks in 2026 to account for the return to standard Medicare payment rates, ensuring that participants are not unfairly impacted by higher dialysis costs. While the CMS has not yet issued formal rulemaking on the exact timing and methodology, previous models suggest that financial reconciliation will protect CKCC participants from unintended financial consequences. CKCC participants should anticipate benchmark recalibrations that reflect the removal of ETC-related payment adjustments, with final updates incorporated into the 2026 performance year and beyond. Additionally, with dialysis costs no longer subject to ETC-related adjustments, Kidney Contracting Entities (“KCEs”) will have greater predictability in projecting TCOC, allowing for more accurate financial planning and risk assessment.

Conclusion

The early termination of the ETC Model represents a significant shift in ESRD policy, removing mandatory payment adjustments that had reshaped financial incentives for dialysis providers and nephrologists. While the return to standard Medicare rates in 2026 eliminates penalties and bonuses, the CMS’s planned recalibration of CKCC benchmarks is critical to ensuring financial neutrality for value-based care participants.

Stakeholders should remain actively engaged in the CMS’s rulemaking process, adjust financial models accordingly, and prepare for further integration of ESRD care into broader, long-term alternative payment models. Further updates will be provided as the CMS releases formal

rulemaking and additional guidance on the ETC Model termination and CKCC benchmark recalibration.

The Benesch Healthcare+ team monitors developments in this area of the law and may provide additional updates as they become available. Please contact the authors of this article for additional information or if you have any questions.

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The CMS Newsroom press release regarding the model portfolio changes is available [here](#).

The ETC Model CMMI web page is available [here](#).