

A critical evaluation of the Medicare hospice benefit

ISSUE: Last year, MedPAC staff identified incentives in Medicare's payment system for hospice under which hospice profitability increased with length of stay – the longer a hospice's average length of stay, the higher its Medicare margins. Recent data suggest a strong provider response to these incentives – long hospice stays have increased dramatically since 2000, and nearly all new hospices entering the program since 2000 have been for-profit entities. We noted that apart from Medicare's limits on aggregate payments to hospices, there were few effective controls on the benefit that would prevent length of stay from continuing to increase, adding costs to the Medicare program. The payment system and supporting policies should be designed to ensure that the level and structure of payments are sufficient to ensure appropriate hospice care for Medicare beneficiaries who elect this benefit. The current system does not necessarily fulfill this goal.

KEY POINTS: This session provides information for the Commission to consider in evaluating potential changes to the hospice benefit. These policy options encompass payment system reforms, potential actions that can be taken to improve accountability in the hospice benefit, and additional data needs.

ACTION: The Commissioners should review and consider the potential changes in policy that will be presented.

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