

Reforming Medicare's 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. 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 presents additional information for the Commission to consider in evaluating potential changes to the hospice benefit. These changes include payment system reforms, potential actions that can be taken to improve accountability in the hospice benefit, and additional data needs. Impacts of the proposed payment system reforms will be presented.

ACTION: The Commissioners will discuss and vote on several draft recommendations.

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