



Advising the Congress on Medicare issues

Assessing payment adequacy: Hospice

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Medicare hospice benefit

- Provides palliative and supportive services to terminally ill beneficiaries who choose to enroll
- In 2008:
 - Over 1 million beneficiaries were enrolled
 - Over 3,300 hospices
 - Medicare spending exceeded \$11 billion

Assessing adequacy of hospice payments

- Access to care
 - Supply of providers
 - Volume of services
- Quality of care
- Access to capital
- Payments and costs

Supply of hospices has increased, driven by growth of for profits

	2001	2007	2008	Annual change 2001-2007	Annual change 2007-2008
All	2,303	3,258	3,389	6.0%	4.0%
For profit	765	1,637	1,748	13.5%	6.8%
Nonprofit	1,184	1,188	1,197	0.1%	0.8%
Government	354	433	444	3.4%	2.5%
Freestanding	1,196	2,098	2,233	9.8%	6.4%
Home health based	541	592	592	1.5%	0.0%
Hospital based	554	551	545	-0.1%	-1.1%

Note: Figures preliminary and subject to change

Source: MedPAC analysis of data from CMS Providing Data Quickly Query

Hospice use has grown substantially in recent years

Percent of Medicare decedents using hospice

	2000	2007	2008	Average annual % point change 2000-2007	% point change 2007-2008
All	22.9%	38.9%	40.1%	2.3	1.2
Male	22.4%	35.9%	36.7%	1.9	0.8
Female	23.3%	41.5%	43.0%	2.6	1.5
White	23.8%	40.5%	41.8%	2.4	1.3
Minority	17.2%	29.3%	30.2%	1.7	0.9
<65	17.0%	24.5%	25.0%	1.1	0.5
65-84	24.7%	38.5%	39.3%	2.0	0.8
85+	21.4%	43.5%	45.3%	3.2	1.8

Note: Figures preliminary and subject to change

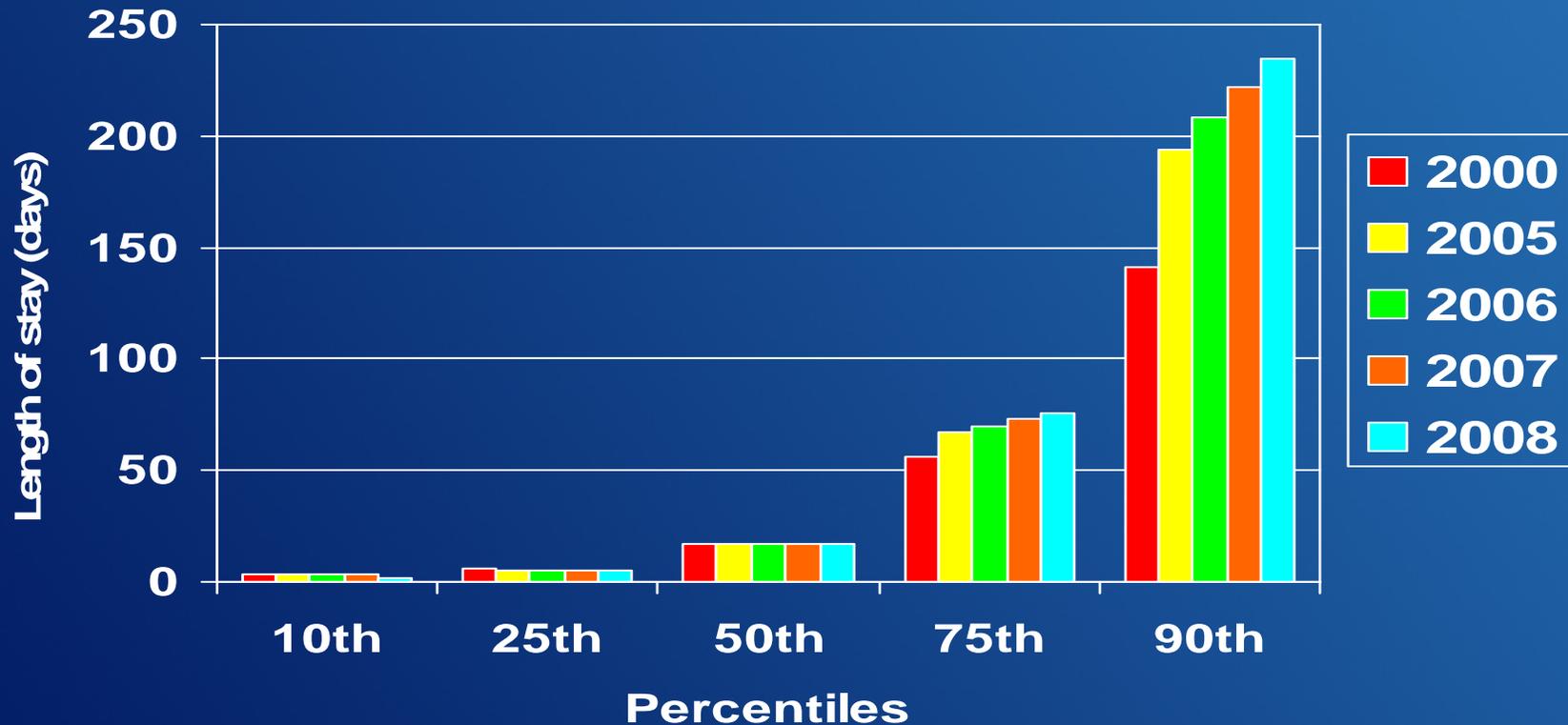
Source: MedPAC analysis of Medicare Beneficiary Database and Denominator File data from CMS

Number of hospice users, average length of stay, and Medicare spending have increased

	2000	2007	2008	Annual change 2000-2007	Annual change 2007-2008
Medicare hospice spending (billions)	\$2.9	\$10.3	\$11.2	19.8%	8.7%
Number of hospice users	513,000	1,000,000	1,055,000	10.0%	5.5%
Average length of stay among decedents (days)	54	80	83	5.8%	3.8%

Note: Figures are preliminary and subject to change. Length of stay reflects the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime.

Long hospice stays have grown longer while short stays remain virtually unchanged



Note: Figures are preliminary and subject to change. Length of stay reflects the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime.

Source: MedPAC analysis of Medicare Beneficiary Database and Denominator File data from CMS

Hospice cap

- Number of hospices exceeding the cap: 10 percent in 2007
- Above-cap hospices:
 - Almost entirely for-profit providers
 - Very long lengths of stay
 - Substantially more patients discharged alive
- No evidence the cap impedes access to hospice care overall or for racial and ethnic minorities

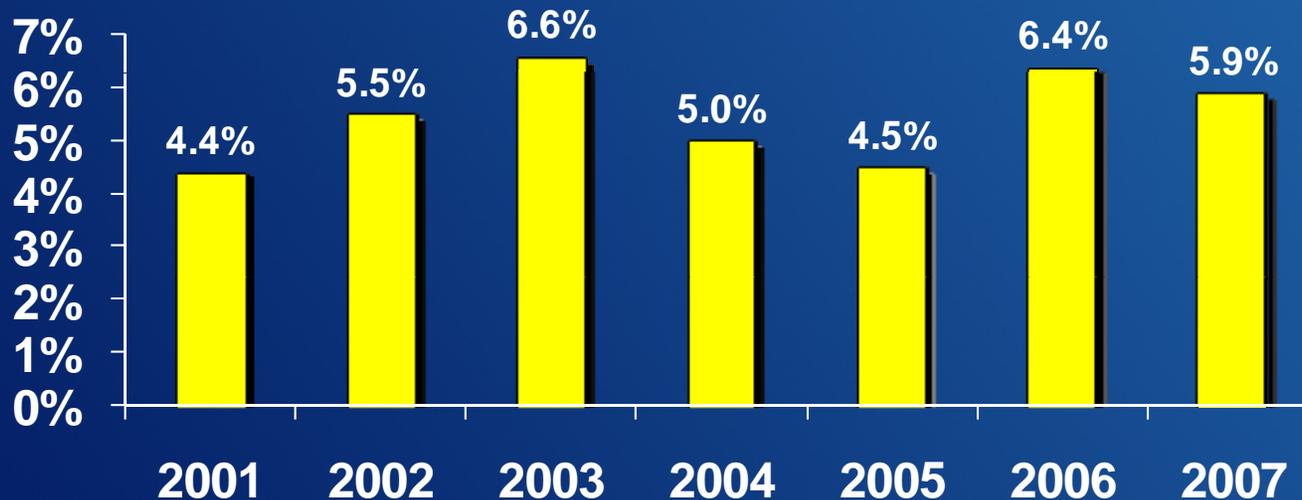
Hospice quality of care

- Currently, no publicly available quality data covering all hospices
- Surveys sponsored by associations; voluntary hospice report card is under development
- CMS initiative
 - Testing 12 hospice quality measures in 7 hospices in NY; scheduled completion date: October 2010

Access to capital is normalizing

- Hospice is less capital intensive than some other provider types
- Freestanding hospices
 - Publicly traded hospice chains— strong financial reports and solid access to capital
 - Robust entry of for-profit hospices
 - Access to capital for nonprofits is difficult to discern
- Provider-based hospices have access to capital through their parent institutions

Hospice Medicare margins, 2001-2007



Note: Figures are preliminary and subject to change. Margins are calculated based on Medicare reimbursable costs and exclude cap overpayments.

Methodology for estimating margins

- Excluded cap overpayments from hospices' revenues
- Margins calculated based on Medicare reimbursable costs
- Bereavement costs are nonreimbursable

Margins vary by type of provider

	Percent of hospices	Medicare Margin, 2007
All	100%	5.9%
Freestanding	66%	8.8%
Home health based	17%	2.3%
Hospital based	16%	-10.0%
For profit – all	52%	10.5%
-- freestanding		11.3%
Nonprofit – all	35%	1.8%
-- freestanding		5.6%
Urban	69%	6.5%
Rural	31%	1.2%
Below-cap	90%	6.2%
Above-cap (excluding overpayments)	10%	2.6%
Above-cap (including overpayments)	10%	20.4%

2010 margin projection

	<u>2007</u>	<u>Projected 2010</u>
Hospice margin	5.9%	4.6%

- Full market basket update for 2008 – 2010
- Wage index changes in 2010
- Reduction in wage index budget neutrality adjustment in 2010 and 2011 (first 2 years of a 7-year phase-out).

Commission's prior recommendations (March 2009)

- Payment system reform
 - Change payment stream from flat to U-shaped
- Accountability
 - More hospice accountability
 - More FI oversight
 - OIG studies
- Additional data reporting