

*Advising the Congress on Medicare issues*

# Assessing payment adequacy and updating payments: Hospice services

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# Overview of Medicare hospice, 2018

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- Hospice use:
  - Over 1.5 million beneficiaries
  - Over 50% of decedents
- Providers: Over 4,600
- Medicare payments: \$19.2 billion to hospice providers

# Summary: Hospice payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Hospices' access to capital	Medicare payments and hospices' costs
<ul style="list-style-type: none"><li>• Growth in provider supply</li><li>• Growth in volume (use rates, ALOS)</li><li>• Positive marginal profits (16%)</li></ul>	<ul style="list-style-type: none"><li>• 7 process measures topped out</li><li>• CAHPS survey stable</li><li>• OIG identified subgroup of poor performers</li></ul>	<ul style="list-style-type: none"><li>• Continued entry of for-profits</li><li>• Sector viewed favorably by investors</li><li>• Provider-based have access via parent provider</li></ul>	<ul style="list-style-type: none"><li>• 2017 Medicare margin: 12.6%</li><li>• 2020 projected margin: 12.6%</li></ul>
Positive	Mostly positive; limited measures	Positive	Positive

## Background: hospice aggregate cap

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- When the hospice benefit was first established, Congress included an aggregate cap to ensure savings
- Cap limits aggregate payments a hospice provider can receive annually

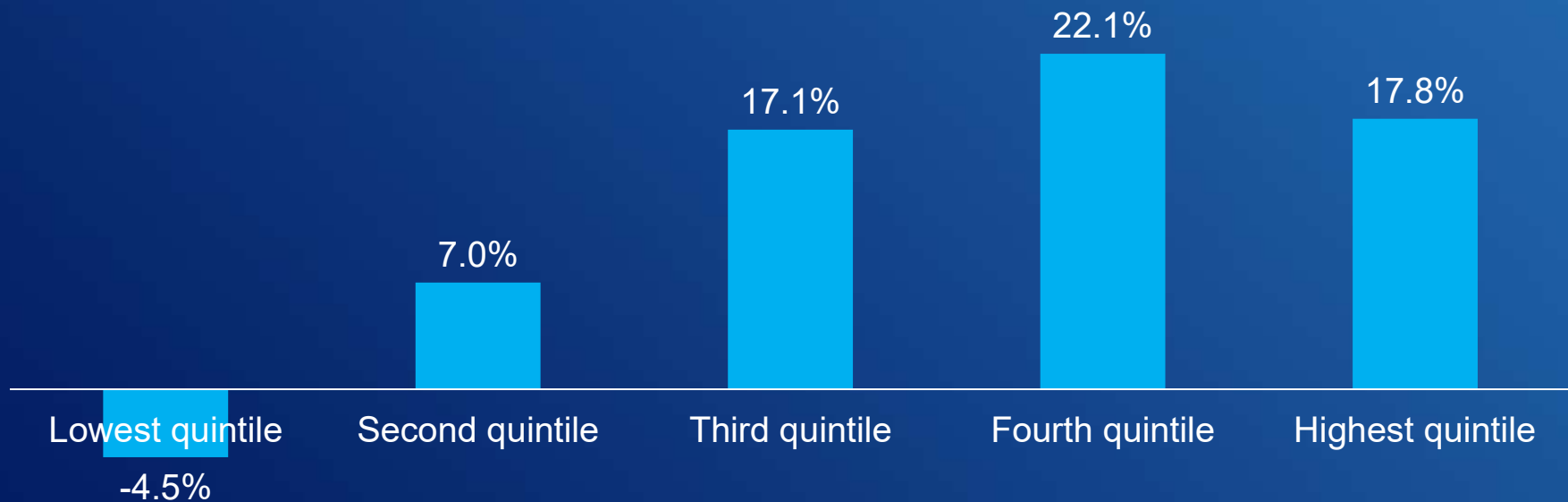
If:      provider's      >      number of      x      cap  
                 total payments      patients      amount

Then:      provider must repay excess to Medicare

- FY 2020 cap: \$29,965, not wage adjusted

# Hospice margins increase with length of stay

Provider margins by quintile based on percent of stays greater than 180 days



Note: Data are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs. The margin for the highest length of stay quintile dips because some hospices in this category exceed the cap and the repayment of overpayments lowers their margin. Absent the cap, the margin for this group would be about 21 percent.

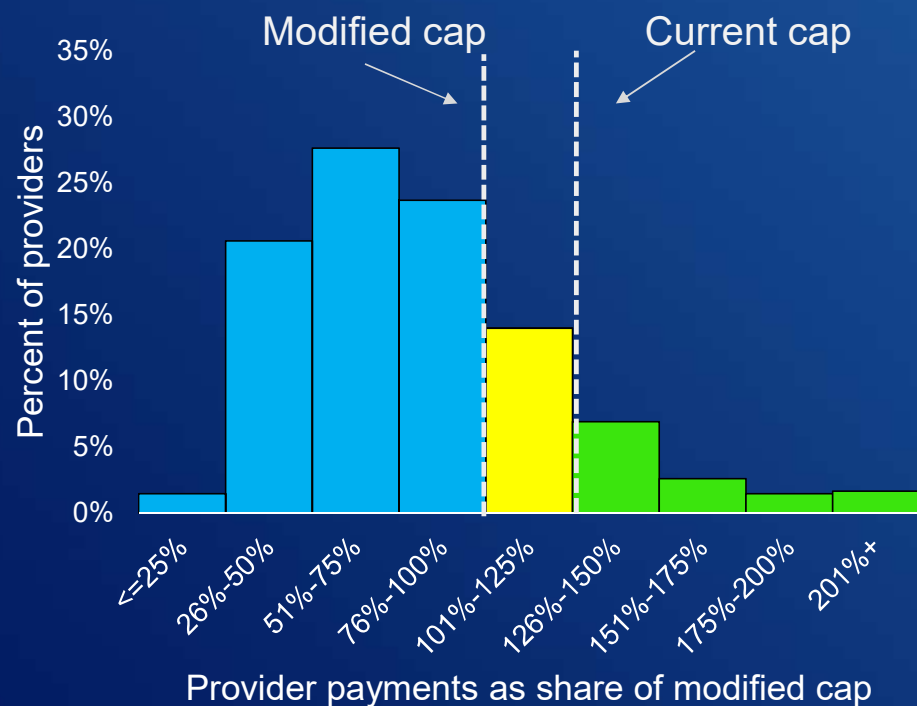
Source: MedPAC analysis of Medicare hospice claims and cost reports.

# Policy to modify the aggregate cap

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- Cap reduces payments to hospices with long stays and high margins
  - ALOS 276 days, margin 21% before cap in 2017
- Higher rate of exceeding the cap in high wage index areas because the cap is not wage-adjusted
- A policy to wage adjust and reduce the cap by 20% would:
  - Improve equity of the cap across providers
  - Generate savings by focusing payment reductions on providers with long stays and high margins

# Simulation of policy to modify the cap



- Simulation with 2017 data, assuming no utilization changes
- Share of hospices exceeding the cap would increase
  - New above-cap hospices are mostly for-profit (95%) and freestanding (95%), with long stays (ALOS of 254 days) and an aggregate margin of 22% in 2017
- Many hospices remain substantially under the cap
  - Includes mix of provider types with an ALOS of 128 days

Note: ALOS (average length of stay). Data are preliminary and subject to change. Simulation using 2017 data assuming no utilization changes. Average length of stay reflects lifetime length of stay as of the end of calendar year 2017 for all patients treated in cap year 2017. Source: MedPAC analysis of Medicare claims data and the Medicare Beneficiary Database obtained from CMS in October 2019.



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# Assessing payment adequacy and updating payments: Ambulatory surgical center services

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# Overview of ambulatory surgical centers (ASCs)

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Medicare FFS  
payments:  
\$4.9 billion

Beneficiaries:  
3.5 million  
served

Number of  
ASCs:  
~ 5,700

Current law  
update:  
2.6% in 2020

Data preliminary and subject to change.

# Indicators of payment adequacy are positive

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- Access to ASC services increased in 2017:
  - Volume per beneficiary increased 2.2%
  - FFS beneficiaries served increased 0.9%
  - Number of ASCs increased 2.6%
- Medicare payments per beneficiary increased 7.4%
- Access to capital: Good
- Quality: Improvement since 2013; issues with measures remain
- Lack of cost data limits analysis; Commission has recommended that ASCs be required to submit cost data

Data preliminary and subject to change.