Assessing payment adequacy and updating payments: Hospice services

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Overview of Medicare hospice, 2017

- Hospice use:
  - About 1.5 million beneficiaries
  - Over 50% of decedents
- Providers: nearly 4,500
- Medicare payments:
  - $17.9 billion to hospice providers

Note: Data are preliminary and subject to change.

Medicare hospice benefit

- Palliative and supportive services for beneficiaries with terminal illnesses who choose to enroll
- Eligibility criteria:
  - Life expectancy of six months or less if the disease runs its normal course
  - Physician(s) must certify prognosis at outset of each hospice benefit period. Two 90-day periods, then unlimited number of 60-day periods.
- Beneficiary must agree to forgo conventional care for the terminal condition and related conditions

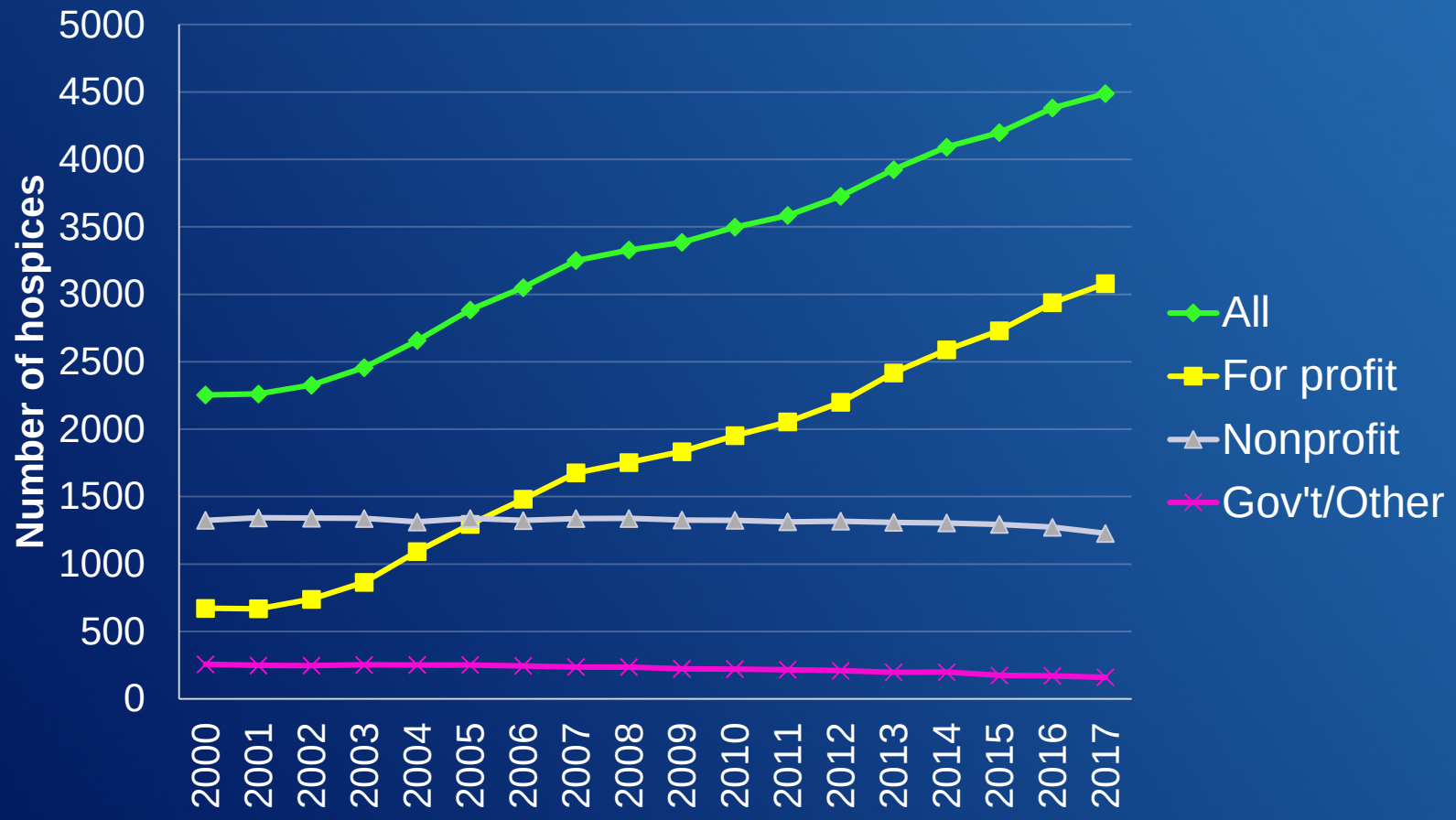
2016 hospice payment system change

- MedPAC in March 2009 recommended payment changes
  - Found payment system misaligned, with long stays very profitable
  - Recommended changing per diem payment from flat to u-shaped
- Beginning January 2016, CMS revised payment system for routine home care (RHC)
  - Two per-diem rates for RHC: Higher days 1-60, lower days 61+
  - Last 7 days of life: Additional payments for registered nurse and social worker visits (up to 4 hours payable per day)
- Changes designed to be budget neutral but modestly redistribute revenues across providers

Assessing adequacy of hospice payments

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

Supply of hospices has increased, driven by growth of for-profit hospices



Note: Data are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost reports, Provider of Services file, and Medicare hospice claims from CMS.

Hospice use continues to grow

	Percent of Medicare decedents using hospice			Average annual percentage point change	Percentage point change
	2000	2016	2017	2000-2016	2016-2017
All decedents	22.9%	49.7%	50.4%	1.7	0.7
Age<85	23.7	43.7	44.1	1.3	0.4
Age 85+	21.4	59.1	60.3	2.4	1.2
White	23.8	51.8	52.5	1.8	0.7
Minority	17.3	39.1	39.6	1.4	0.5
Urban	24.2	50.7	51.3	1.7	0.6
Rural	17.5	45.2	46.2	1.7	1.0

Note: Data are preliminary and subject to change. Urban and rural definitions based on 2013 Urban Influence Codes.

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

Hospice use and expenditures increased in 2017

	2000	2015	2016	2017
Medicare spending (billions)	$2.9	$15.9	$16.8	$17.9
Number of hospice users	534,000	1,381,000	1,427,000	1,492,000
Total hospice days among all beneficiaries (millions)	26	96	101	106
Length of stay among decedents (days)				
Average	53.5	86.7	87.8	88.6
25th percentile	6	5	5	5
50th percentile	17	17	18	18
90th percentile	141	240	244	248

- Marginal profit in 2016: 14%

Note: Data 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 hospice claims data, Medicare Beneficiary Database and Denominator File data from CMS.

Length of stay varies by beneficiary and provider characteristics, 2017

Average length of stay (ALOS) for decedents varies by:

- Diagnosis (neurological: 149 days; cancer: 52 days)
- Patient location (assisted living facility: 153 days; nursing facility: 105 days; home: 91 days)
- Ownership (for-profit: 109 days; nonprofit: 67 days)
- Type of hospice (freestanding: 91 days; provider-based: 63 days)

Note: Data are preliminary and subject to change. Length of stay data are for Medicare decedents who used hospice in the last calendar year of life and reflect the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime. Diagnosis reflects the primary diagnosis on the beneficiary's last hospice claim.

Source: MedPAC analysis of Medicare hospice claims data, Medicare Beneficiary Database, Denominator File data, and Provider of Service file from CMS.

Hospice quality data are limited

- Hospices scored very high on 7 measures related to processes of care at admission
  - Aggregate score was 96% or higher for 6 measures and 88% for pain assessment measure
  - Topped out measures may be candidates for retirement
- Hospice CAHPS data are now available
  - Highest scores: treating patients with respect (91%) and providing emotional support (90%)
  - Lowest scores: help for pain and symptoms (75%), caregiver training (75%), providing timely help (78%)
- Live discharge rate was stable (16.7% in 2017) but continues to vary across providers

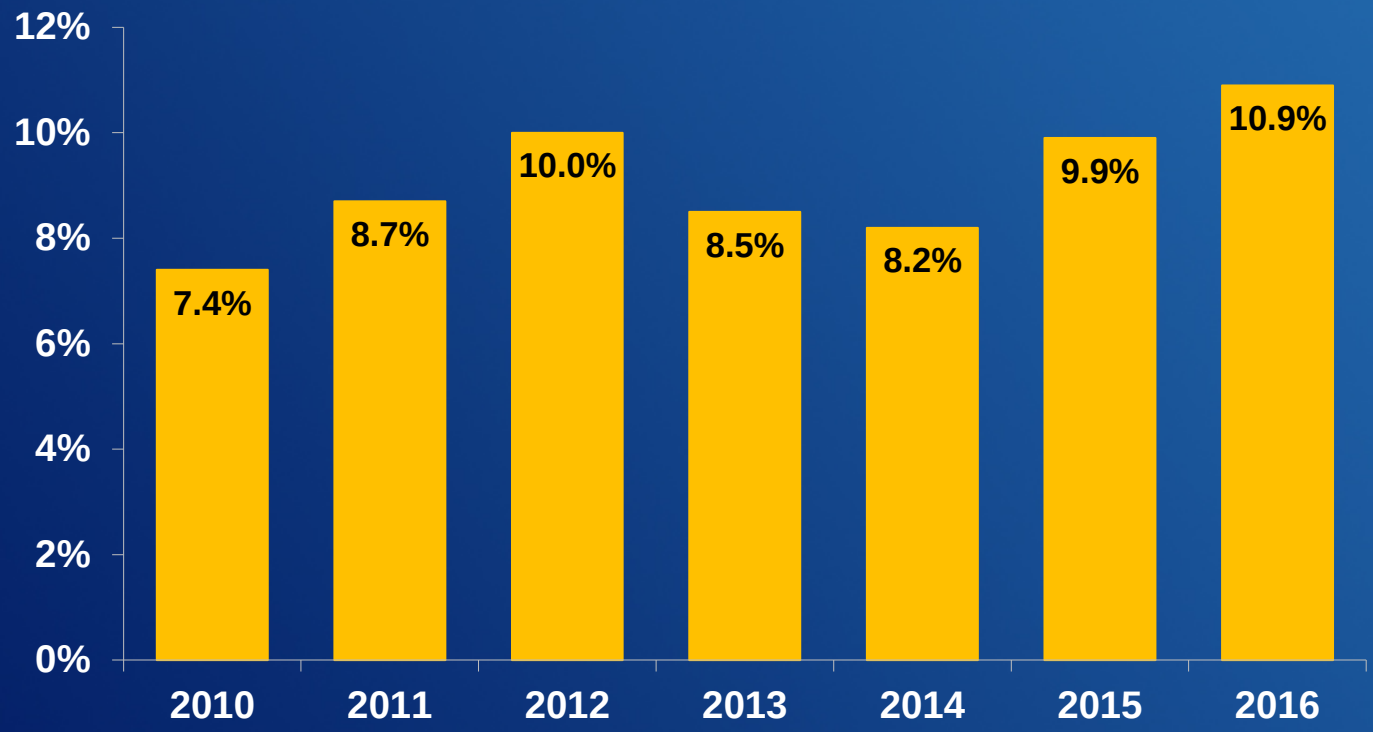
Note: Data are preliminary and subject to change. Consumer Assessment of Healthcare Providers and Systems (CAHPS). Process measure data from the Hospice Item Set (HIS) reflect calendar year 2017 and CAHPS data reflect the period from October 1, 2015 to September 30, 2017.
Source: MedPAC analysis of HIS data from CMS and Hospice CAHPS data from Hospice Compare.

Access to capital appears strong

- Hospice is less capital-intensive than some other provider types
- For-profit providers
  - Continued growth in the number of for-profit providers (about a 5% increase in 2017)
  - Financial reports suggest the sector is viewed favorably by private equity investors and other healthcare companies seeking mergers and acquisitions
- Nonprofit providers
  - Less information on access to capital for nonprofit freestanding providers, which may be limited
  - Provider-based hospices have access to capital through their parent institutions

Note: Data are preliminary and subject to change.

Hospice Medicare margins, 2010-2016



Note: Data are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs.
Source: MedPAC analysis of Medicare hospice claims and cost reports from CMS.

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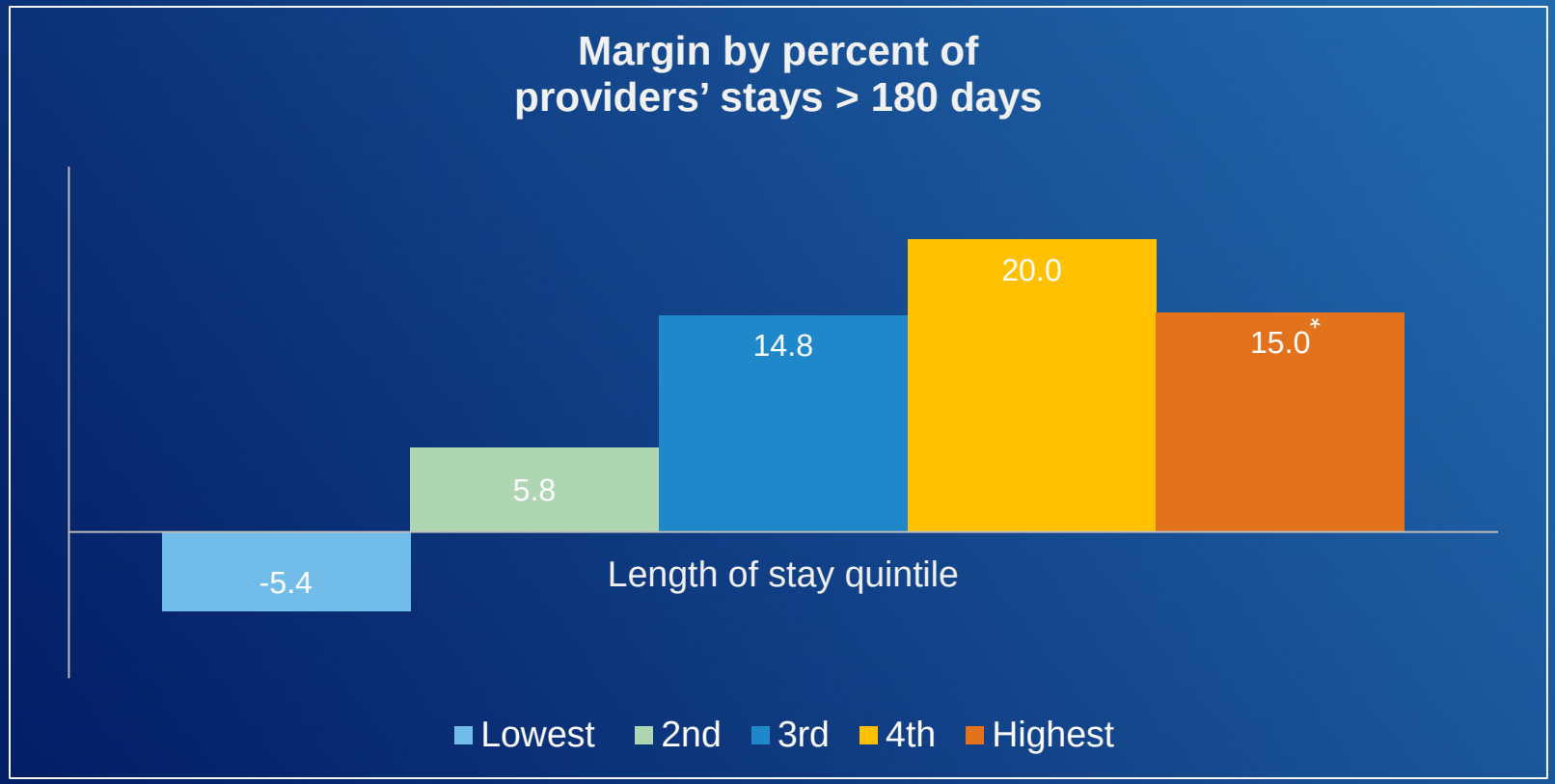
Medicare margins vary by type of provider, 2016

	Percent of hospices	Medicare margin, 2016
All	100%	10.9%
Freestanding	77	13.9
Home-health-based	11	6.2
Hospital-based	11	-16.7
For profit – all	67	16.8
– freestanding	61	17.6
Nonprofit – all	29	2.7
– freestanding	14	6.4
Urban	79	11.4
Rural	21	6.2
Below cap	87	10.7
Above cap (exclude/include overpayments)	13	12.6/20.2

Note: Data are preliminary and subject to change. Margins exclude cap overpayments (except where noted) and non-reimbursable costs. Percentages may not sum to 100 due to category not shown (e.g., SNF-based hospices and government hospices).

Source: MedPAC analysis of Medicare hospice claims, cost reports, and Provider of Service file from CMS.

Medicare margins vary by length of stay, 2016



* 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 20 percent.
Note: Data are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs.

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

Payment system concerns

- Payment rates by level of care are out of balance
- Effects of new payment system have been modest: providers with the most long stays continue to have substantially higher profit margins than other hospices
- Share of hospices exceeding the cap has increased, and their margins have increased

Summary

- Indicators of access to care are positive
  - Supply of providers continues to grow, driven by for-profit hospices
  - Number of hospice users, hospice days, and ALOS among decedents increased
  - Marginal profit in 2016 is 14%
- Limited quality data are available
- Access to capital appears strong
- 2016 aggregate margin is 10.9%

Note: Data are preliminary and subject to change.