Advising the Congress on Medicare issues

Hospice and Medicare Spending

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MEDPAC

Background on 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

Background on hospice benefit (continued)

- Hospice offers:
  - Patient choice
  - A focus on patient comfort and less invasive care
  - Place of death in accord with patient preferences
- The share of decedents using hospice has grown, a positive sign of greater access
- When the hospice benefit was enacted, it was presumed to cost less than conventional care
- In recent years, concern has arisen that some providers may be pursuing revenue generation strategies

Literature on hospices' effect on Medicare spending is mixed

- Some studies have found modest net costs or savings associated with hospice, or savings only for certain subgroups
- A few studies have found hospice is associated with substantial savings for a wide range of patients
- MedPAC contracted with Direct Research, LLC to review the literature and conduct further analysis

Contractor report analysis

- National trends
- Replicating and evaluating the literature
- Market-level analysis

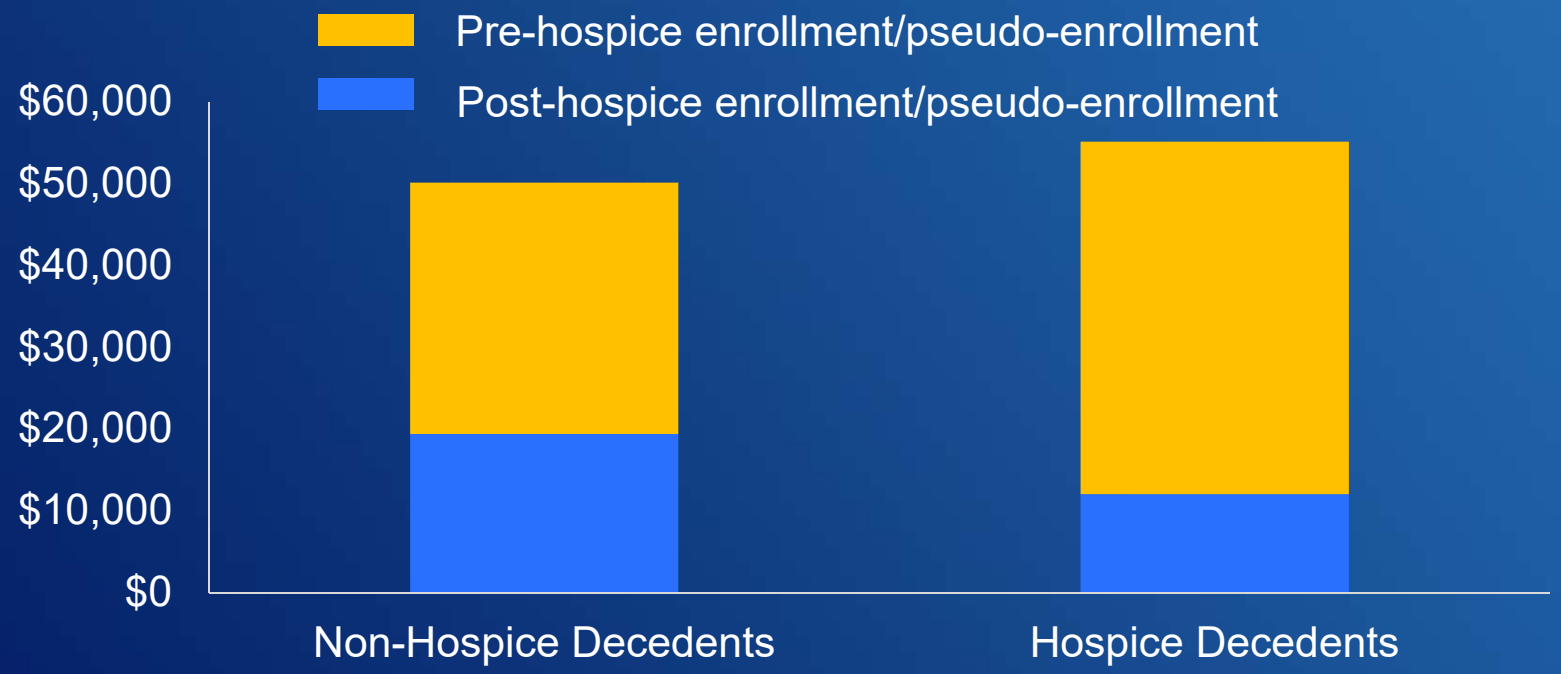
National trends

- Between 2002-2012, both hospice use and Medicare spending on the last year of life increased
  - Share of elderly FFS decedents who used hospice grew from 26% in 2002 to 47% in 2012
  - The share of Medicare FFS spending for elderly beneficiaries in their last year of life increased 1.1 percentage points per decade on average
- In 2012, roughly one-third of hospice spending was for care prior to the last year of life

Two types of studies show different results

- Fixed period studies
  - Compared spending for hospice and non-hospice enrollees for a period covering 6 or 12 months prior to death
  - Found small costs or small savings for hospice users compared to other decedents, depending on time period and population studied
- Enrollment/pseudo-enrollment studies
  - Looked only at the period of hospice enrollment and compared it to a “pseudo”-enrollment period created for non-hospice decedents
  - Very large (e.g., 24 percent) cost savings for hospice decedents

Last year of life spending split at hospice enrollment or pseudo-enrollment date



Source: Direct Research, LLC 2015.

- Large savings found in pseudo-enrollment approach are likely an artifact of the methodology rather than the effect of hospice

Market-level analysis

- Examined relationship between hospice use in a market and decedent costs in the market (measured by the ratio per person decedent costs to survivor costs)
- Higher hospice penetration in a market was associated with modestly higher costs per decedent in that market
  - Higher costs were due to hospice use among non-cancer decedents and were mostly attributable to patients with very long hospice stays

Report conclusions and implications

- Main benefits of hospice are its effect on patient care, not costs
- Hospice does not appear to result in a reduction in aggregate Medicare spending relative to conventional care at the end of life
- Overall, hospice may result in less spending for cancer patients, but higher spending for non-cancer patients and for patients with very long hospice stays
- Consistent with other studies from 2015 showing higher aggregate costs associated with hospice for some populations

Hospice care prior to the last year of life

- Contractor report found that roughly one-third of hospice spending in 2012 was for care prior to the last year of life
- We conducted additional analyses to examine this phenomenon by beneficiary and provider characteristics and by individual provider

Share of hospice payments for care prior to the last year of life

- Overall, 35% of hospice payments in 2013 were for care prior to the last year of life
- Varied by level of hospice care
  - 38% of routine home care (RHC) payments; 8% to 9% of general inpatient care and continuous home care payments
- Varied by patient diagnosis
  - 16% for cancer and 40% for noncancer diagnoses
- Varied by provider characteristics
  - 29% for nonprofit and 40% for for-profit hospices
  - 31% for providers that entered Medicare prior to 2000 and 41% for newer providers

Source: MedPAC analysis of Medicare claims and denominator file.

Twenty percent of hospices received 46% or more of their RHC payments for care prior to the last year of life

Hospices paid more than $1 million in 2013 (2,661 hospices)	Percent of hospice routine home care payments for care prior to the last year of life
20th percentile	28%
40th percentile	34%
60th percentile	40%
80th percentile	46%

Source: MedPAC analysis of Medicare claims and denominator file.

Discussion

- Questions
- Directions for future research