



Advising the Congress on Medicare issues

Assessing payment adequacy: Hospice services

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Overview of Medicare hospice 2010

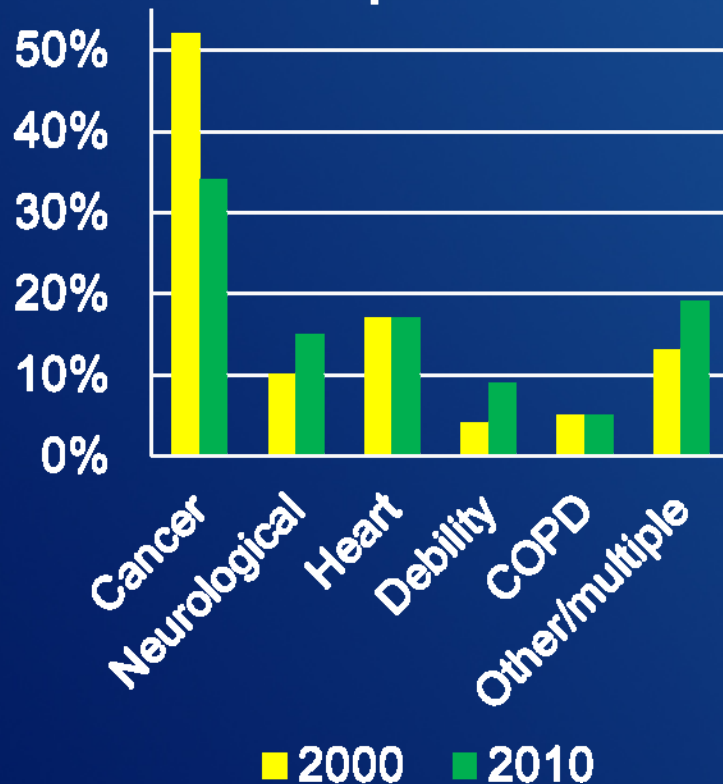
- Beneficiary users: > 1.1 million
- Percent of decedents: 44%
- Providers: > 3,500
- Medicare spending: \$13 billion

Questions from December meeting

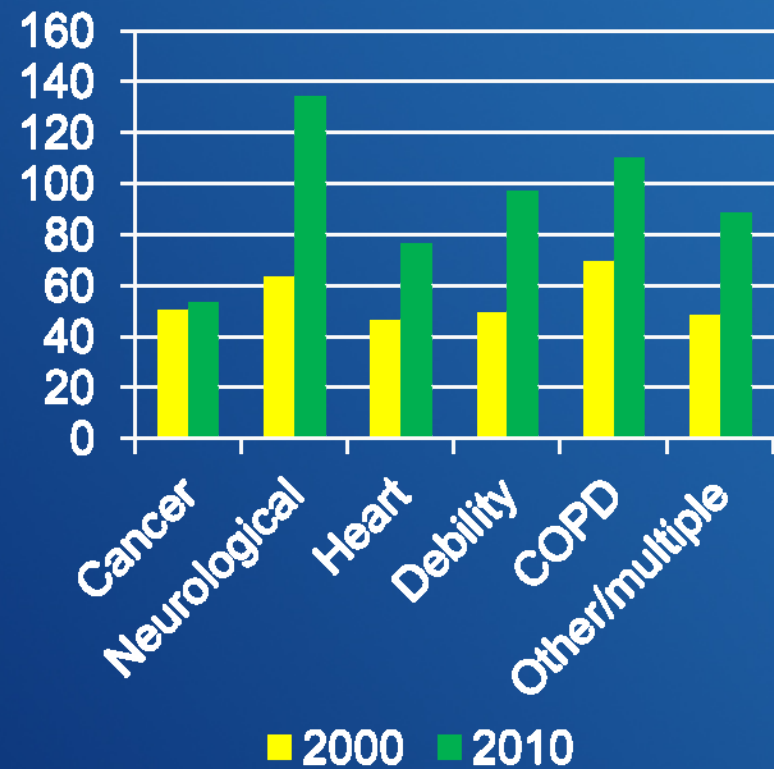
- Hospice aggregate cap
 - Repayment of cap overpayments
 - Characteristics of above-cap hospices
 - Comparison of original vs. new methodology
- Live discharge rate stable from 2008 to 2009
- Drivers of increased length of stay

Most of the growth in average length of stay is due to growth in length of stay within diagnosis groups

Percent of hospice decedents



Average length of stay



Note: Figures preliminary and subject to change. COPD (Chronic obstructive pulmonary disease). Length of stay reflects lifetime length of stay for decedents who used hospice in the year they died.

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

Indicators of access to care are positive

- Supply of providers continues to grow, driven mostly by for-profits
- Percent of decedents who used hospice continues to grow (23% in 2000, 42% in 2009, 44% in 2010)
- Length of stay among decedents has grown
 - Average: 54 days in 2000, 84 days in 2009, 86 days in 2010
 - Median: 17 days in 2000 and 2009, 18 days in 2010

Hospice quality of care

- Currently, no publicly available quality data covering all hospices
- Reporting to begin in 2013 on two measures: pain measure and process measure. Payments will be reduced 2% in FY 2014 for non-reporters.
- MedPAC convened panel on hospice quality

Access to capital appears adequate

- Hospice is less capital intensive than some other provider types
- Freestanding hospices
 - Continued strong growth in the number of for-profit hospices and modest growth of nonprofits
 - Publicly traded hospice chains – generally favorable financial reports and adequate access to capital
- Provider-based hospices have access to capital through their parent institutions

2009 margin by hospice characteristics

- Aggregate Medicare margin: 7.1%
- Freestanding margin is higher than provider-based (10.0% freestanding; 5.2% home health; -12.8% hospital)
- For-profits have higher margins than nonprofits (freestanding: 12.8% for-profit; 6.2% nonprofit)
- Margins for below- and above-cap hospices:
 - Below-cap: 7.6%
 - Above-cap: 1.3%/18.3% excluding/including overpayments

2009 margin by hospice characteristics

- Margins are higher for providers with:
 - longer stays
 - more patients in nursing and assisted living facilities
- Urban/Rural
 - Margins are higher for hospice serving urban areas (below-cap hospices: 8.0% urban; 3.7% rural)
 - Among hospices serving rural counties, margins are not lower for hospices serving more remote counties

Modeling 2012 margins

- 2012 projection takes into account:
 - Full market basket update for 2010 – 2012
 - Wage index changes in 2010-2012
 - Reduction in wage index budget neutrality adjustment in 2010-2012 (first 3 years of a 7-year phase-out)
 - Face-to-face visit requirement for recertification beginning 2011
- 2012 Hospice margin projection: 5.1%
- 2013 policy
 - 0.6% reduction in payments due to continued phase-out of the wage index budget neutrality adjustment

Re-print two prior recommendations

1. Payment reform recommendation:

- Increase payments per day at the beginning of the episode and reduce payments per day as the length of the episode increases
- Provide an additional end-of-episode payment to reflect hospices' higher level of effort at the end of life
- Budget neutral in first year

2. Recommendation for focused medical review of hospices with many long stay patients