

Assessing payment adequacy: Hospice services

Kim Neuman
December 16, 2011

Overview of Medicare hospice 2010

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

Trends in the hospice benefit

- Trends and issues
 - Rapid growth in number of for-profit hospices
 - Increase in ALOS, driven by growth in very long stays
 - Evidence that the payment system is not well aligned with the intensity of care throughout an episode
 - Accountability (physician certification of patient eligibility, nursing home / hospice relationships)
- Commission recommendations (March 2009)
 - Payment system reform (u-shaped curve)
 - Increased accountability (narrative, face-to-face recertification visit, focused medical review, OIG studies)
 - More data collection (claims, cost report)

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-profit hospices

	2000	2009	2010	Percent change 2000-2009	Percent change 2009-2010
All	2,318	3,462	3,555	49.4%	2.7%
For profit	766	1,833	1,915	139.3%	4.5%
Nonprofit	1,176	1,158	1,162	-1.5%	0.3%
Government / other	376	471	478	25.3%	1.5%
Freestanding	1,214	2,385	2,477	96.5%	3.9%
Home health based	545	546	556	0.2%	1.8%
Hospital based	547	513	503	-6.2%	-1.9%

Note: Figures preliminary and subject to change

Source: MedPAC analysis of data from CMS Providing Data Quickly system.

Hospice use has grown substantially in recent years

	Percent of Medicare decedents using hospice			Ave. annual % pt change	
	2000	2009	2010	2000-2009	2009-2010
All decedents	22.9	42.0	44.0	2.1	2.0
Age<85	23.7	38.4	39.9	1.6	1.5
Age 85+	21.4	48.0	50.4	3.0	2.4
White	23.8	43.7	45.8	2.2	2.1
Minority	17.3	32.0	33.6	1.6	1.6
Urban	24.3	43.5	45.4	2.1	1.9
Micropolitan	18.5	37.5	39.8	2.1	2.3
Rural, adj. urban	17.6	36.9	38.7	2.1	1.8
Rural, nonadj urban	15.8	32.8	34.5	1.9	1.7
Frontier	13.2	27.1	30.1	1.5	3.0

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

	2000	2009	2010	Average annual change 2000-2009	Annual change 2009-2010
Medicare hospice spending (billions)	\$2.9	\$12.1	\$13.0	17.2%	7.2%
Number of hospice users	513,000	1,090,000	1,159,000	8.7%	6.3%
Average length of stay, decedents (days)	54	84	86	5.0%	2.1%
Median length of stay, decedents (days)	17	17	18	0	+1 day

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 hospice claims data, Medicare Beneficiary Database and Denominator File data from CMS

Hospice cap

- 12.5 percent of hospices exceeded the cap (2009)
- Above-cap hospices:
 - Almost entirely for-profit providers
 - Very long lengths of stay
 - Substantially more patients discharged alive
 - Very high profit margins before the return of cap overpayments
- No evidence the cap impedes access to hospice care

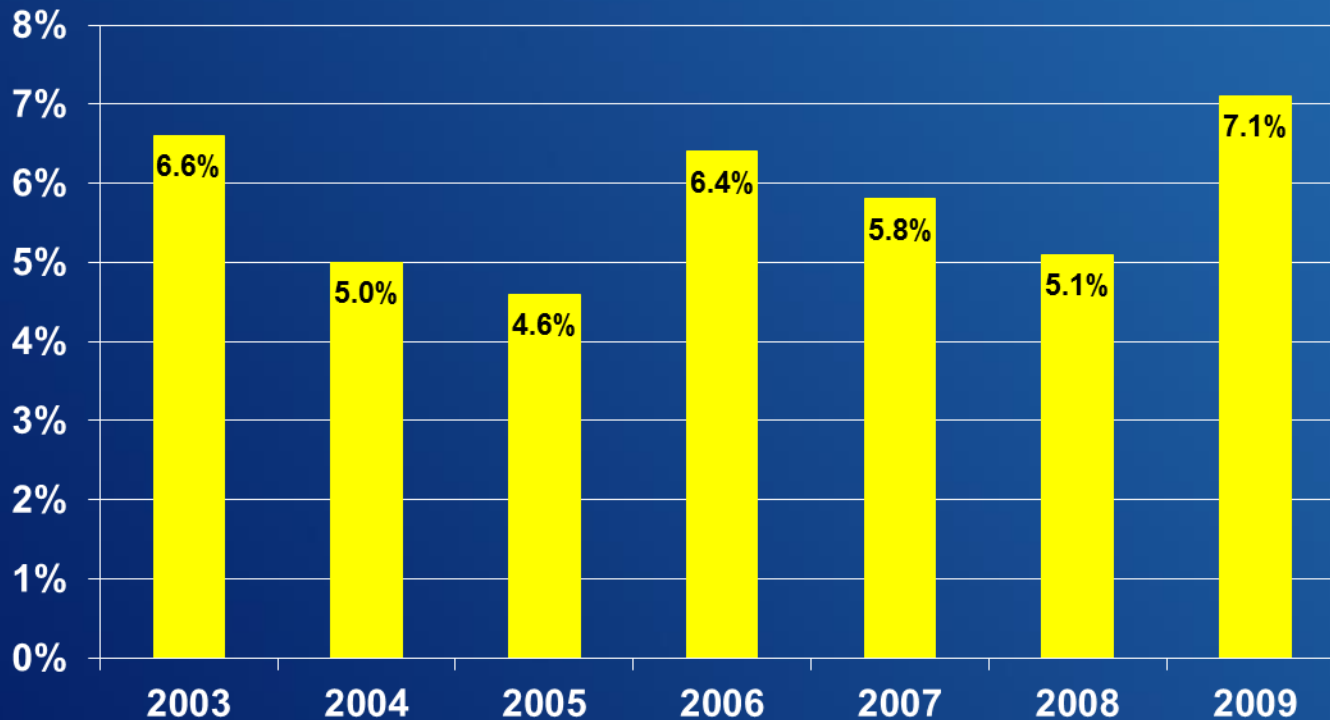
Hospice quality of care

- 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.
Indicators of quality from perspective of panelists:
 - bereaved family member survey, management of pain and dyspnea, staff contact hours with patient, breadth of services offered, evening and weekend responsiveness, staff certification and turnover, possibly some claims based measures

Access to capital is 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
 - More hospice transactions by private equity firms in first half 2011 compared with 2010
- Provider-based hospices have access to capital through their parent institutions

Hospice Medicare margins, 2003-2009



Note: Figures are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs.

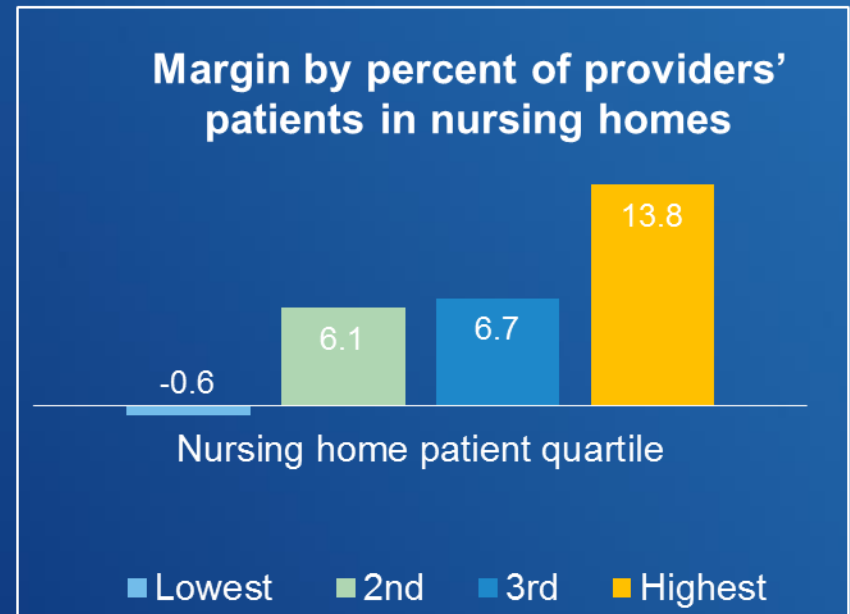
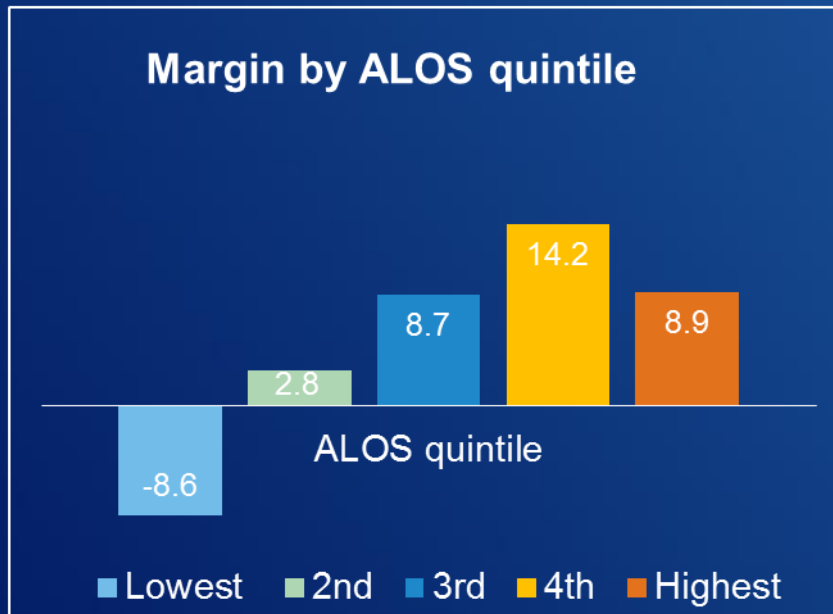
Medicare margin varies by type of provider, 2009

	Percent of hospices	Medicare Margin, 2009
All	100%	7.1%
Freestanding	69	10.0
Home health based	16	5.2
Hospital based	15	-12.8
For profit – all	54	11.4
– freestanding	47	12.8
Nonprofit – all	33	3.4
– freestanding	16	6.2
Below cap	87.5	7.6
Above cap (excl. overpay.)	12.5	1.3
Above cap (incl. overpay.)	12.5	18.3

Note: Figures are preliminary and subject to change. Margins exclude cap overpayments (except where noted) and non-reimbursable costs.

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

Medicare margins vary by length of stay and site of service, 2009



Note: Figures are preliminary and subject to change. ALOS (average length of stay). Margins exclude cap overpayments and non-reimbursable costs.

Margins for below-cap hospices by predominant by type of county served, 2009

Predominant type of county served	Percent of below-cap hospices	Aggregate Medicare margin
Urban	70%	8.0%
Rural	30	3.7
– Micropolitan	18	3.1
– Rural adjacent	6	3.5
– Rural nonadjacent	6	6.5
Frontier (10% or more of caseload)	4	8.8

Note: Figures are preliminary and subject to change. Hospices that exceed the cap are excluded from this analysis. Analysis excludes non-reimbursable costs.

Source: MedPAC analysis of Medicare hospice claims, cost reports, and provider of service file from CMS

Summary

- Supply of providers continues to grow, driven by for-profit hospices
- Number of hospice users increased
- Length of stay among decedents grew
- Access to capital appears adequate
- 2009 margin is 7.1%