# Assessing payment adequacy: Hospice services

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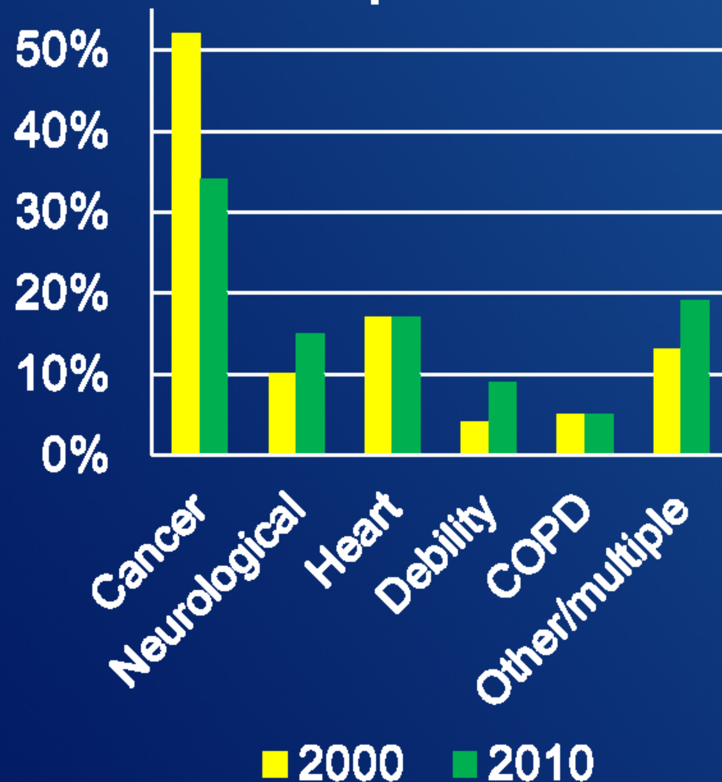
# Overview of Medicare hospice 2010

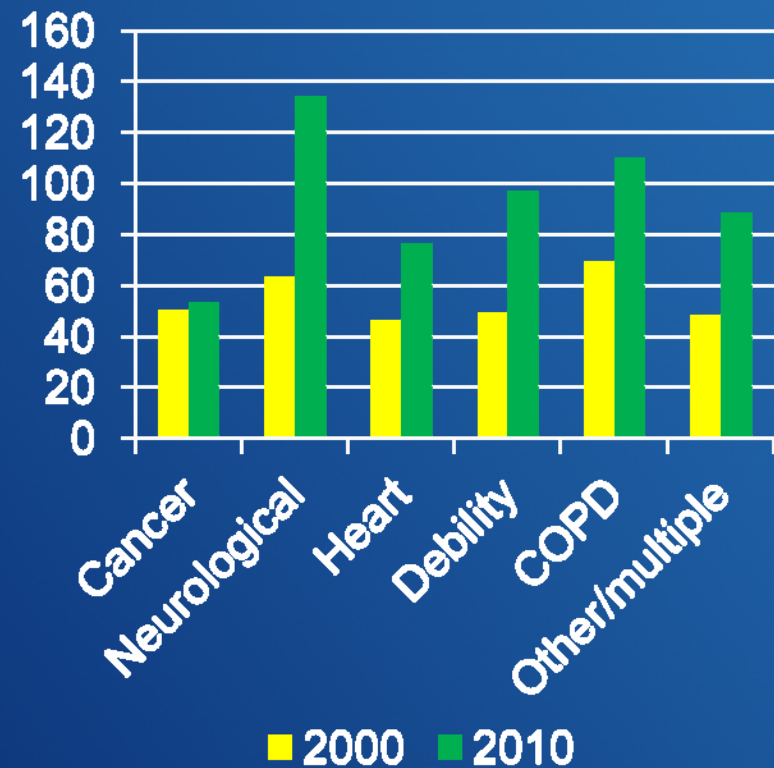
- Beneficiary users: > 1.1 million
- Percent of decedents: 44%
- Providers: > 3,500
- Medicare spending: $13 billion

# 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




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

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# 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

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# 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

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# 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

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# 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

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