



Advising the Congress on Medicare issues

Assessing payment adequacy: Hospice services

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Overview of Medicare hospice 2011

- Beneficiary users: > 1.2 million
- Percent of decedents: 45%
- Providers: > 3,500
- Medicare spending: \$13.8 billion

Questions from December meeting

- Distribution of length of stay by beneficiary and provider characteristics
- LTCH / hospice costs
- Options for facilitating appropriate use of hospice among interested patients or promoting quality of end-of-life care more generally

Indicators of payment adequacy care are positive

- Supply of providers
 - Number of providers continues to grow in 2011, due almost entirely to growth in for-profit providers
- Volume of services
 - Number of beneficiaries using hospice increased
 - Percent of decedents who used hospice increased
 - Length of stay was steady in 2011

Indicators of payment adequacy care are positive

- Quality
 - No data on quality of care currently available
 - Reporting program to begin in 2013; most providers expected to report
- Access to capital
 - Continued entry of for-profit freestanding hospices suggests capital is accessible
 - Less known about capital access for nonprofit freestanding hospices
 - Provider-based hospices access capital through parent provider

2010 margin by hospice characteristics

- Aggregate Medicare margin: 7.5%
- Freestanding margin is higher than provider-based (10.7% freestanding; 3.2% home health; -16.0% hospital)
- For-profit margin is higher than nonprofit (freestanding: 13.4% for-profit; 7.6% nonprofit)
- Urban margin (7.8%) is higher than rural (5.3%)
- Margins are higher for providers with:
 - longer stays
 - more patients in nursing and assisted living facilities

2013 margin projection

- 2013 hospice margin projection: 6.3%
 - Projection takes into account for 2011-2013: annual market basket updates, productivity and budget adjustments (2013), wage index changes, reduction in wage index budget neutrality adjustment, face-to-face visit requirement for recertification, and quality reporting in 2013
- 2014 policy
 - 0.6 percentage point reduction in payments due to continued phase-out of the wage index budget neutrality adjustment

Standing Commission recommendations from March 2009

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

Potential options for future research

Could explore options to facilitate appropriate use of hospice among interested patients or promote quality of end-of-life care more generally. For example, could explore:

- Shared decision-making
- Including hospice in MA rather than current carve-out
- Focused FFS demonstrations of broader hospice eligibility
- Including hospice in bundled payments approaches for episodes
- Potential end-of-life care quality measures