
# Assessing payment adequacy and updating payments: hospice services

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MEDPAC

# Overview of Medicare hospice, 2015

- Hospice use:
  - 1.38 million beneficiaries
  - 48.6% of decedents
- Providers: 4,199
- Medicare payments:
  - $15.9 billion to hospice providers

# Medicare 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 and recent changes related to hospice payment system

- MedPAC March 2009 report
  - Found trends suggesting new actors entering with revenue generation strategies
  - Found payment system misaligned, with long stays very profitable
  - Recommended payment reforms (from flat per diem to u-shape)
- Beginning January 2016, CMS revised payment system for routine home care
  - Days 1-60: $191 per day; Days 61+: $150 per day (FY '17 rates)
  - Last 7 days of life: Additional payments for registered nurse and social worker visits ($40 per hour, up to 4 hours payable per day)
- Projected to be budget neutral but to redistribute revenues across providers
  - Projected revenue increase for provider-based, nonprofit, and rural hospices and decrease for others

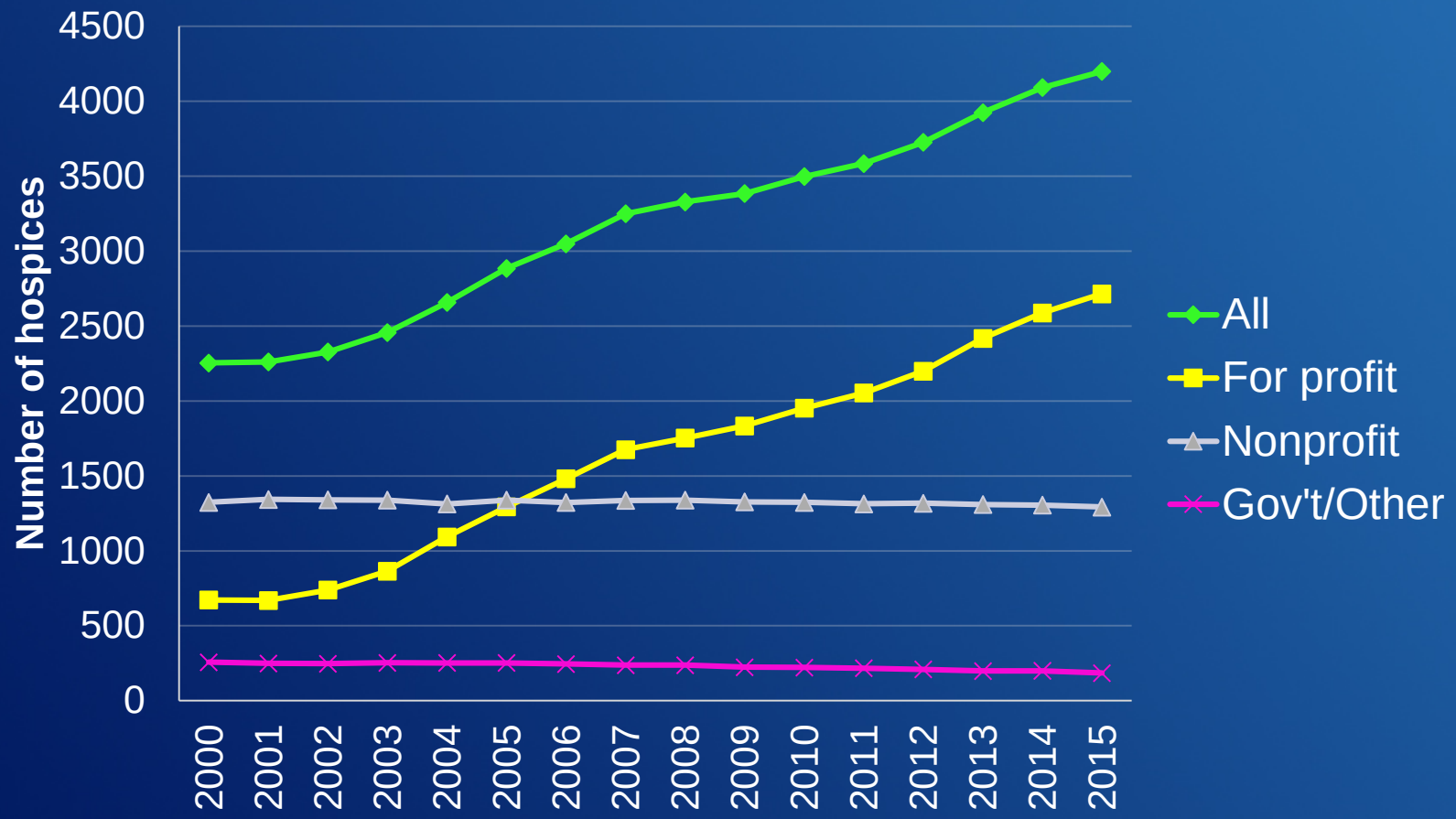
# Other changes related to end-of-life care that began in 2016

- Medicare Care Choices Model demonstration
  - 5-year demonstration to test concurrent palliative and curative care
  - For beneficiaries who are hospice eligible but not enrolled in hospice and who meet certain other criteria
  - Hospices are paid $400 per month per participant to provide palliative and supportive services
- Advanced care planning services are covered under the physician fee schedule

# 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




Note: Figures preliminary and subject to change

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

# Hospice use continues to grow

| | Percent of Medicare decedents using hospice | | | Average annual percentage point change | Percentage point change |
|---|---|---|---|---|---|
| | 2000 | 2014 | 2015 | 2000-2014 | 2014-2015 |
| All decedents | 22.9% | 47.8% | 48.6% | 1.8 | 0.8 |
| Age<85 | 23.7 | 42.6 | 43.0 | 1.4 | 0.4 |
| Age 85+ | 21.4 | 56.0 | 57.1 | 2.5 | 1.1 |
| White | 23.8 | 49.7 | 50.5 | 1.9 | 0.8 |
| Minority | 17.3 | 37.6 | 38.4 | 1.5 | 0.8 |
| Urban | 24.2 | 49.1 | 49.7 | 1.8 | 0.6 |
| Rural | 17.5 | 42.9 | 43.8 | 1.1 | 0.9 |

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Note: Figures preliminary and subject to change. Urban and rural definitions based on 2013 UIC codes.
Source: MedPAC analysis of Medicare Beneficiary Database and Denominator File data from CMS

# Number of hospice users increased and average length of stay declined slightly in 2015

| | 2000 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Medicare hospice spending (billions) | $2.9 | $15.1 | $15.1 | $15.9 |
| Number of hospice users | 534,000 | 1,315,000 | 1,324,000 | 1,381,000 |
| Length of stay among decedents (days) | | | | |
| Average | 53.5 | 87.8 | 88.2 | 86.7 |
| 25th percentile | 6 | 5 | 5 | 5 |
| 50th percentile | 17 | 17 | 17 | 17 |
| 90th percentile | 141 | 246 | 247 | 240 |

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

# Length of stay varies by beneficiary and provider characteristics, 2015

Average length of stay for decedents varies by:

- Diagnosis (cancer: 53 days; neurological :147 days)
- Patient location (home: 89 days; nursing facility: 105 days; assisted living facility: 152 days)
- Ownership (nonprofit: 65 days; for-profit: 105 days)
- Type of hospice (provider-based: 63 days; freestanding: 89 days)

Note: Figures are preliminary and subject to change. Length of stay data are for Medicare decedents who used hospice in the last calendar year of life and reflect the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime. Diagnosis reflects the primary diagnosis on the beneficiary's last hospice claim.

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

# Limited quality data are now available

- CMS contractor report analyzes data for 7 process measures related to care provided at admission
  - documentation of treatment preferences, addressing beliefs and values if desired by patient, dyspnea screening, dyspnea treatment, pain screening, pain assessment, and provision of a bowel regimen for patients treated with an opioid
- Most hospices scored very high on 6 out of 7 measures while performance on the pain assessment measure was lower and more varied
- Other quality reporting efforts
  - Hospice CAHPS
  - New measures: hospice visits when death is imminent and composite measure for the 7 process measures

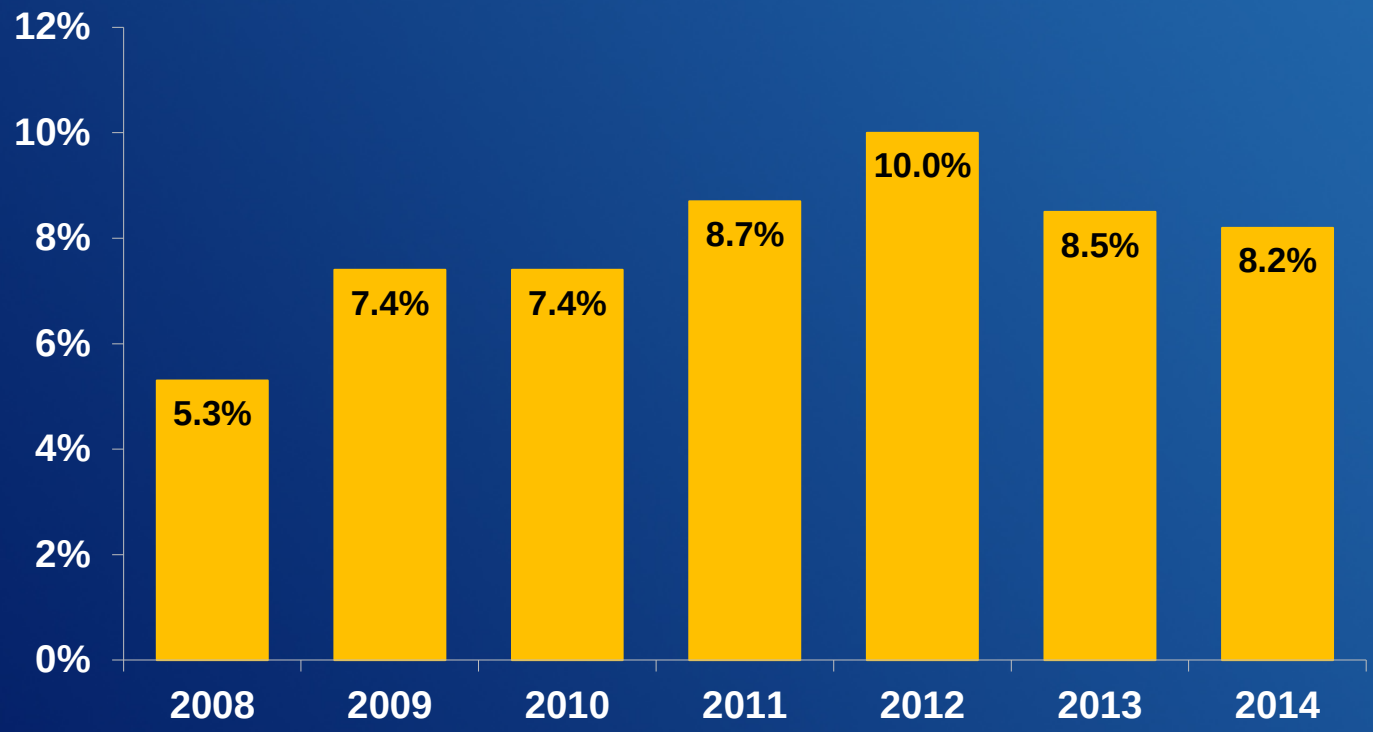
# Live discharge rates

- Unusually high live discharge rates may be a signal of poor quality or program integrity issues
- Overall, the live discharge rate decreased from 18.4% in 2013 to 17.2% in 2014 to 16.7% in 2015
- Some providers have substantially higher live discharge rates than their peers
  - The top 10 percent of hospices had live discharge rates of 50 percent or more in 2015

# Access to capital appears adequate

- Hospice is less capital-intensive than some other provider types
- For-profit providers
  - Continued growth in the number of for-profit providers (5% increase in 2015)
  - Financial reports suggest the sector is viewed favorably by investors
- Nonprofit providers
  - Less information on access to capital for nonprofit freestanding providers, which may be limited
  - Provider-based hospices have access to capital through their parent institutions

# Hospice Medicare margins, 2008-2014




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

Source: MedPAC analysis of Medicare hospice claims and cost reports from CMS

# Medicare margins vary by type of provider, 2014

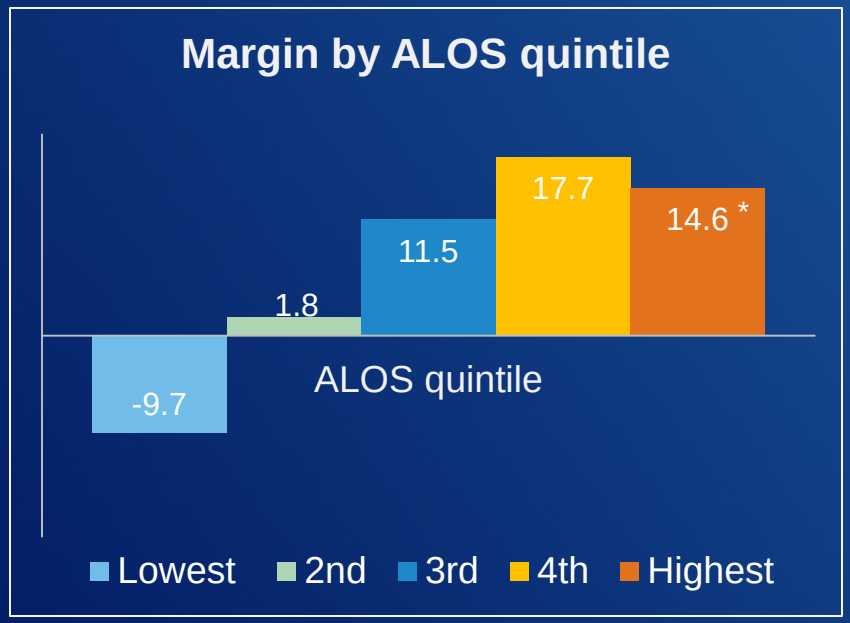
| | Percent of hospices | Medicare margin, 2014 |
|---|---|---|
| All | 100% | 8.2% |
| Freestanding | 74 | 11.5 |
| Home-health-based | 12 | 3.8 |
| Hospital-based | 13 | -20.3 |
| For profit – all | 63 | 14.5 |
| – freestanding | 58 | 15.3 |
| Nonprofit – all | 32 | -0.7 |
| – freestanding | 15 | 3.4 |
| Urban | 77 | 8.2 |
| Rural | 23 | 3.6 |
| Below cap | 87.8 | 8.4 |
| Above cap (exclude/include overpayments) | 12.2 | 6.0/18.8 |

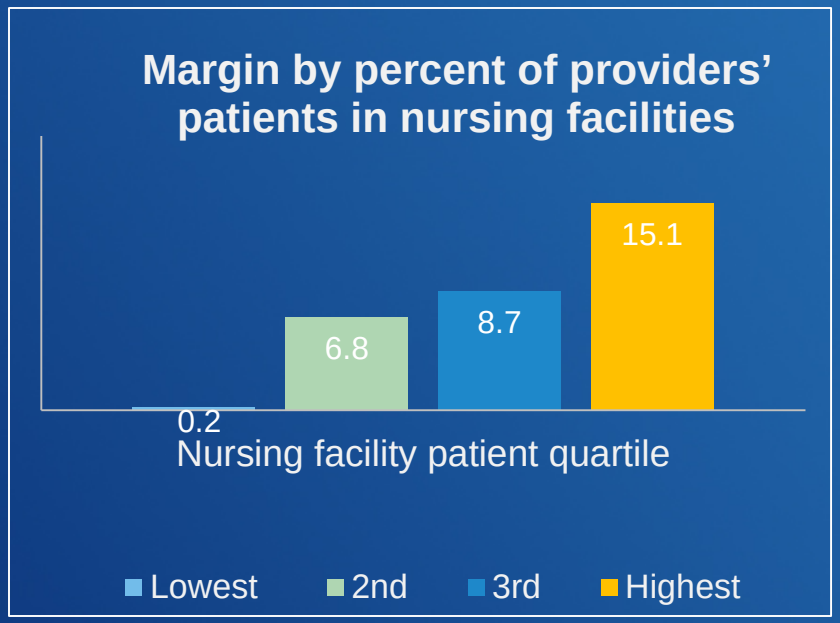
- 2014 marginal profit: 11%

Note: Figures are preliminary and subject to change. Margins exclude cap overpayments (except where noted) and non-reimbursable costs. Urban and rural categories are based on updated CBSA definitions.

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, 2014




* The margin for the highest ALOS quintile dips because some hospices in this category exceed the cap and the repayment of overpayments lowers their margin. Absent the cap, the margin for this group would be about 19 percent.

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

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

# Summary

- Indicators of access to care are favorable
  - Supply of providers continues to grow, driven by for-profit hospices
  - Number of hospice users increased
  - ALOS among decedents declined slightly, due to a decrease in the longest stays
- Limited quality data are now available
- Access to capital appears adequate
- 2014 aggregate margin is 8.2%
- 2014 marginal profit is 11%