Assessing payment adequacy and updating payments: Hospice services

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Background: Medicare hospice benefit

- Palliative and supportive services for beneficiaries with terminal illnesses who choose to enroll
- Eligibility criteria:
  - Life expectancy of 6 months or less if disease runs its normal course
  - Physician(s) 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
- Mixed evidence on whether hospice has reduced overall Medicare expenditures, but hospice has important benefits for beneficiaries

Background: Hospice payment system

- Medicare pays a daily rate for hospice (which is wage adjusted)
- Aggregate cap on total payments to a provider
- Four levels of care: Routine home care (RHC) (>98% of days) and three other higher intensity levels of care
- CMS payment changes
  - 2016: Modified RHC rates (higher for days 1-60, lower for days 61+, additional payments for certain visits in the last seven days of life)
  - 2020: Rebasing to substantially increase payment rates for other three levels of care and slightly decrease RHC rates

Overview of Medicare hospice, 2020

- Hospice use:
  - Over 1.7 million beneficiaries
  - Nearly half of decedents
- Providers: Over 5,000
- Medicare payments: $22.4 billion

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Note: Data are preliminary and subject to change.

Payment adequacy framework and the coronavirus public health emergency (PHE)

- COVID-19 has had tragic and disproportionate effects on Medicare beneficiaries and the health care workforce
- PHE has also had material effects on payment adequacy indicators, making them more difficult to interpret
- Temporary or highly variable coronavirus effects are best addressed through targeted, short-term funding policies rather than permanent changes to all providers' payment rates in 2023 and future years
- Several PHE-related policies for hospice providers:
  - COVID relief funds; suspension of sequester
  - Permit telehealth in some circumstances; certain additional flexibilities

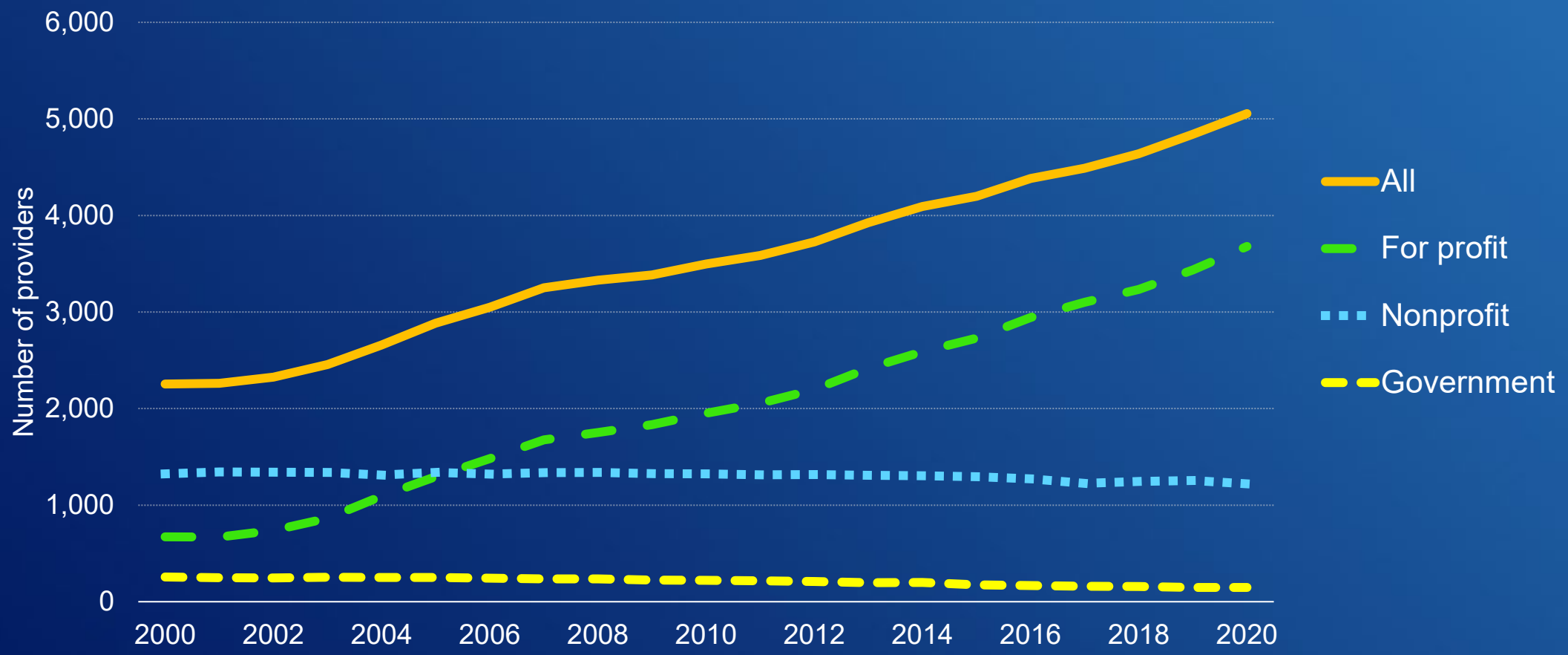
Hospice payment adequacy framework

Beneficiaries' access to care	Quality of care	Hospices' access to capital	Medicare payments and hospices' costs
• Supply of providers • Use, length of stay, visits • Marginal profit	• CAHPS survey • Visits at end of life	• Provider entry • Financial reports and mergers and acquisitions	• Overall Medicare margins in 2019 • Projected overall Medicare margin in 2022

Update recommendation for hospice payment rates

Note: CAHPS (Consumer Assessment of Healthcare Providers and Systems).

Supply of hospices has increased, driven by growth of for-profit hospices



Note: Data preliminary and subject to change.
Source: MedPAC analysis of Medicare hospice claims data, Provider of Service file, and Medicare cost reports from CMS.

Number of beneficiary deaths and decedents using hospice increased in 2020

In 2020:

- Number of beneficiary deaths increased 18%
- Number of decedents using hospice increased 9%
- Share of decedents using hospice declined to 47.8% (from 51.6% in 2019)

Note: Data are preliminary and subject to change. Data exclude beneficiaries without Medicare Part A.
Source: MedPAC analysis of Medicare hospice claims and Common Medicare Enrollment file.

Indicators of access: Mostly favorable

Utilization	Change from 2019-2020: • Number of hospice users: +6.6% • Number of hospice days: +4.9% • Site of care: use increased at home, ALFs, and hospitals and decreased at nursing facilities and hospice facilities
Length of stay among decedents	• ALOS: increased from 92.5 (2019) to 97.0 (2020) • Median: stable at 18 days (2019 and 2020)
Visits	• Average in-person visits per week: 4.3 (2019) vs. 3.5 (2020) • Aide visits experienced largest decline; nurse visits also declined but likely offset to some extent by telehealth
Marginal profit	• 17% in 2019

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Note: ALF (assisted living facility). Length of stay reflects number of days the decedent was enrolled in the Medicare hospice benefit during his/her lifetime. Data are preliminary and subject to change. Sources: Analysis of Medicare claims, cost reports, and Common Medicare Enrollment file.

Quality of care: Difficult to assess in 2020

- CMS quality data are unavailable for 2020 due to PHE
- Most recent available CMS quality data indicate:
  - Hospice CAHPS scores were stable through 2019
  - Slight improvement in share of patients receiving at least one visit from nurse or other clinician in last three days of life in 2019
- Claims data indicate in-person visits declined in 2020; however, this is likely due to PHE and not necessarily a reflection of quality

Note: Data are preliminary and subject to change. CAHPS (Consumer Assessment of Healthcare Providers and Systems).
Sources: MedPAC analysis of CAHPS, Hospice Item Set, and claims data from CMS.

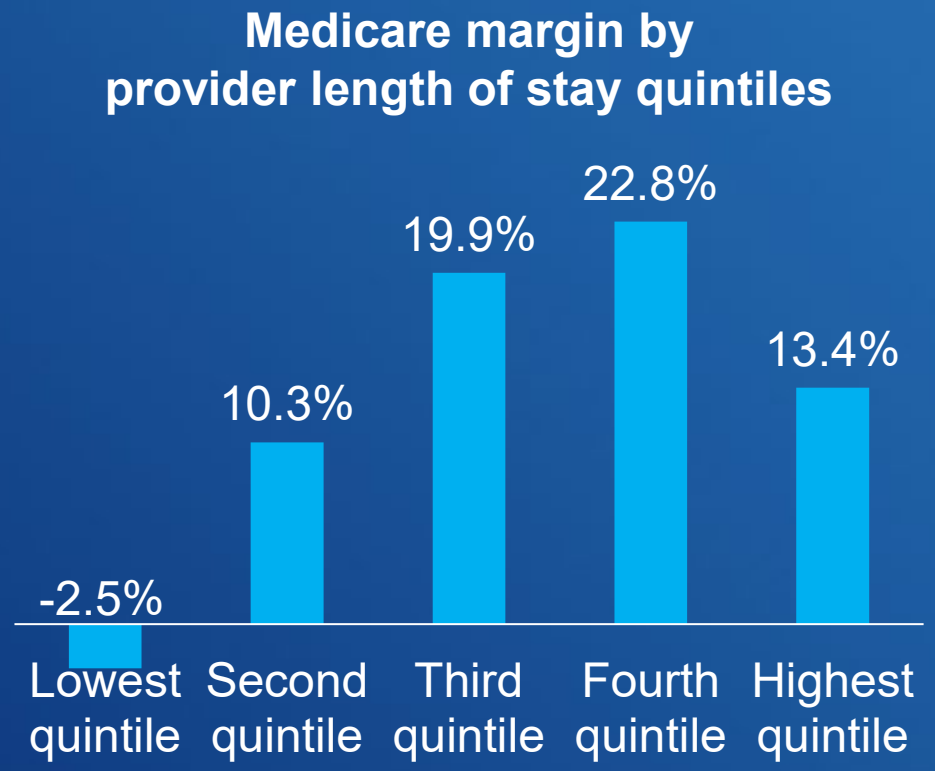
Access to capital appears positive

- Hospice is less capital-intensive than some provider types
- For-profit providers
  - Continued growth in the number of for profit providers (7% increase in 2020)
  - 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

Note: Data are preliminary and subject to change.

Hospice Medicare margins vary by type of provider

	2019
All	13.4%
Freestanding	16.2
Home health-based	9.6
Hospital-based	-18.4
For profit	19.2
Nonprofit	6.0
Urban	13.6
Rural	11.5



Note: Data are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs. Provider length of stay quintiles are based on the providers' share of stays exceeding 180 days.

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

Summary: Hospice payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Hospices' access to capital	Medicare payments and hospices' costs
• Increase in provider supply • Increase in users, ALOS • Decrease in in-person visits • Positive marginal profit (17%)	• 2020 quality difficult to assess • 2019 stable or improving	• Continued entry of for-profits • Sector viewed favorably by investors • Provider-based have access via parent provider	• 2019 Medicare margin: 13.4%

MEDPAC Note: ALOS (average length of stay). Data are preliminary and subject to change.

Hospice aggregate cap

- Cap limits aggregate payments a hospice provider can receive annually ($31,298 in FY 2022 irrespective of geography)
- Hospices that exceed the cap have long lengths of stay and high margins
  - In 2019, 19% of hospices exceeded the cap. Their margin was 22.5% before and 10% after return of cap overage
- In lieu of an across-the-board payment reduction, in March 2020 and 2021 the Commission recommended the cap be wage adjusted and reduced 20%
  - Would make cap more equitable across providers and focus payment reductions on providers with high margins and longest stays

Note: Data are preliminary and subject to change.
Sources: MedPAC analysis of hospice claims and Medicare beneficiary database.

Lack of data on hospice telehealth visits during PHE

- CMS has permitted hospice telehealth visits during the PHE under certain circumstances
- Different from in-person visits, hospices are not required to report telehealth visits on Medicare claims (except for social worker calls)
- Lack of data impairs our ability to understand the extent to which telehealth visits were furnished during PHE
- Requiring hospices to report telehealth visits would increase the program's ability to monitor beneficiary access to care during the PHE