

Assessing payment adequacy and updating payments: Hospice services

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December 5, 2025

Presentation roadmap

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Overview: 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) certifies prognosis at outset of each hospice benefit period: Two 90-day periods, then an unlimited number of 60-day periods
- Beneficiary agrees to receive palliative care under hospice benefit and forgo care for terminal illness and related conditions outside of hospice
- Hospice benefit is carved out of MA and paid by FFS*

Note: MA (Medicare Advantage), FFS (fee-for-service).

* From 2021 to 2024, under the hospice benefit component of the CMS Innovation Center's value-based insurance design model, some MA plans were responsible for the provision of hospice care to their enrollees. A CMS evaluation report indicates over 23,000 beneficiaries received hospice through their MA plan in 2023. See <https://www.cms.gov/priorities/innovation/data-and-reports/2025/vbid-2020-2023-eval-report>.

Overview: Hospice payment system

- FFS Medicare pays a daily rate for hospice
 - Regardless of whether hospice furnishes services on a given day
- Four levels of care:
 - RHC (~99% of days): \$231/day (Days 1-60); \$182/day (Days 61+)
 - Three other levels of care are paid a higher daily rate
- Hospice cap: If FY 2026 total payments > \$35,361 × number of patients, then hospice must pay back the overage to Medicare

Note: FFS (fee-for-service), RHC (routine home care), FY (fiscal year).

Overview of hospice use and spending, 2024



Hospice providers

Over 6,700



Patients

1.8 million beneficiaries
Nearly 53% of decedents



Services

148 million hospice days
3.9 visits per week on average



Payments for services

\$28.3 billion

Note: "Visits per week on average" is calculated using data for beneficiaries receiving hospice routine home care.
Source: MedPAC analysis of Medicare hospice claims and CME enrollment file from CMS.

Payment adequacy framework: Hospice



Beneficiaries' access to care

- Supply of providers
- Hospice use, length of stay, visits



Quality of care

- CAHPS survey
- Composite process measure
- Visits at the end of life



Access to capital

- Provider entry
- Financial reports and mergers and acquisitions



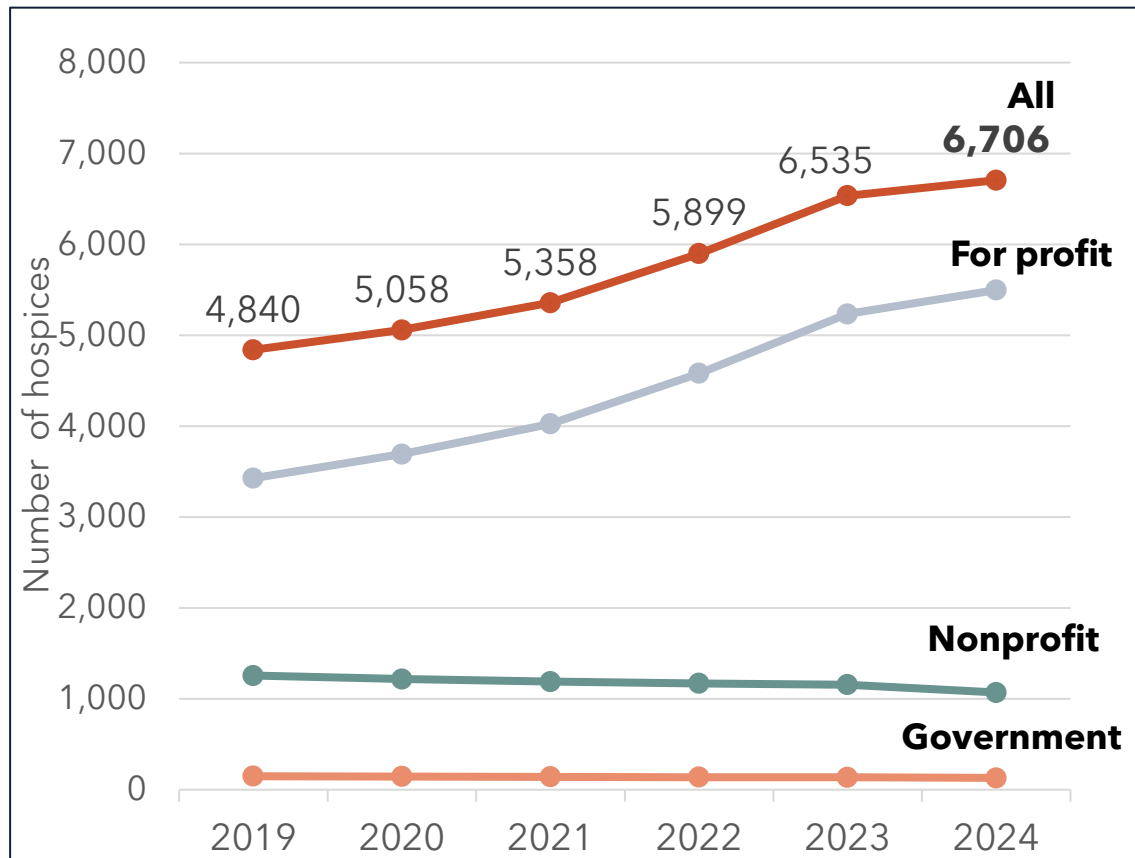
FFS Medicare payments and costs

- 2023 FFS Medicare margin
- 2026 projected FFS Medicare margin

Update recommendation for hospice base rates

Note: FFS (fee-for-service), CAHPS (Consumer Assessment of Healthcare Providers and Systems).

Access: Supply of hospices increased in 2024, driven by entry of for-profit providers



Note: Includes all hospices that submitted at least one paid claim in the year.

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

- 2.6% increase in number of providers in 2024
 - For profit hospices account for all of net growth in provider supply
- Prior to 2024, several years of rapid growth in number of providers (driven by large increase in a few states)

Access: Share of decedents using hospice increased in 2024

- Share of decedents using hospice in 2024: 52.9%
 - Increase of 1.2 percentage points from prior year
 - Reached a new high
- Hospice use rate among decedents increased for all subgroups examined in 2024
 - Subgroups: age, gender, race/ethnicity, FFS/MA, rural/urban, dual eligibility for Medicare and Medicaid, ESRD status

Note: FFS (fee-for-service), MA (Medicare Advantage), ESRD (end-stage renal disease).
Source: MedPAC analysis of data from the CME enrollment file from CMS.

Access: Indicators of access to hospice care were positive in 2024

Utilization increased

- Share of decedents using hospice: +1.2 percentage points
- Number of hospice users: +4.6%
- Total number of hospice days: +7.7%

Length of stay increased

- Average LOS (among decedents): +3 days to 99.6 days
- Median LOS: +1 day to 19 days

Number of visits was stable

- Average of 3.9 visits per week: +1% from prior year but below 2019 level

Note: LOS (length of stay). "Length of stay" reflects the total number of days the decedent was enrolled in the Medicare hospice benefit during their lifetime.
Source: MedPAC analysis of Medicare hospice claims and CME enrollment file from CMS.

Quality: Indicators were stable or improved in most recent period

CAHPS scores were stable

- 7 measures were unchanged
- 1 measure increased 1 percentage point

Admission processes of care improved slightly

- Composite measure of 7 processes of care increased slightly but was topped out for most providers

End-of-life visits Increased

- Share of patients receiving nurse or social worker visits on at least 2 of last 3 days of life: increased 2 percentage points

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

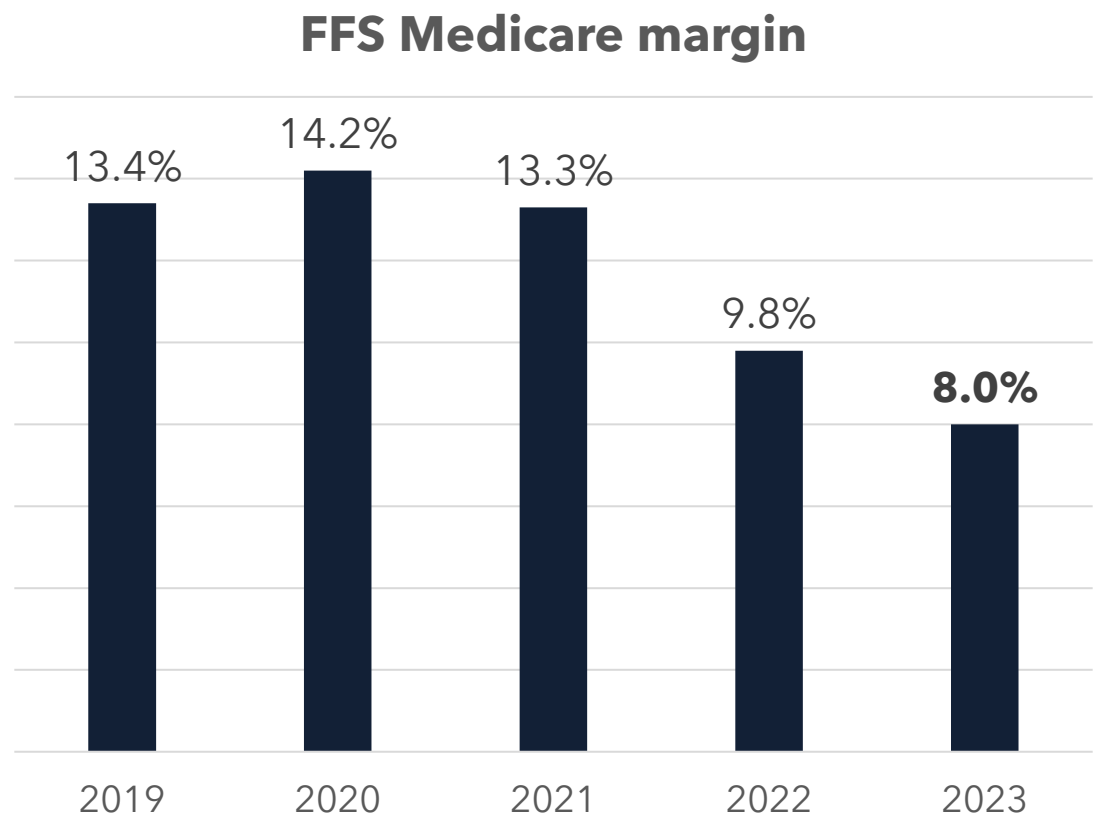
Source: MedPAC analysis of CAHPS® and Hospice Item Set data from CMS.

Capital: Access to capital remains positive

- Hospice is less capital intensive than some provider types
- 5% growth in number of for-profit providers in 2024
- Publicly traded hospices: Generally strong financial performance
- Slower M&A activity in last few years, but financial analysts report sector is viewed favorably by investors
- Less information available on nonprofit freestanding providers
- Provider-based hospices access capital through their parent provider

Note: M&A (mergers and acquisitions).

Payments and costs: Aggregate FFS Medicare margin was strong and varied by provider type, 2023



Provider type	2023 share of providers	2023 FFS Medicare margin
All	100%	8.0%
Freestanding	87	10.2
Home health based	7	4.4
Hospital based	6	-25.6
For profit	80	13.7
Nonprofit (NP)	18	-1.3
NP freestanding	10	2.6
Urban	87	8.3
Rural	13	5.3

Note: FFS (fee-for-service). Margin excludes cap overpayments and nonreimbursable costs. Components of the “share of providers” column may not sum to 100% due to rounding.

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

Payments and costs: Hospices' FFS Medicare margin projected to remain strong in 2026

8.0%

2023 margin



9%

2026 projected margin

Note: FFS (fee-for-service).
Source: MedPAC analysis of hospice cost report and claims data, CMS final rules, and CMS market basket data.

Summary: Hospice payment adequacy indicators



Beneficiaries' access to care

- Increase in provider supply
- Increase in share of decedents using hospice, number of hospice users, total days of care
- Increased length of stay
- Stable average visits per week

Positive



Quality of care

- CAHPS quality scores were stable
- Composite process measure increased slightly but generally topped out
- Visits at the end of life increased

Stable



Access to capital

- Continued entry of for-profit providers
- Sector viewed favorably by investors
- Provider-based hospices have access via parent provider

Positive



FFS Medicare payments and costs

- 2023 FFS Medicare margin: 8.0%
- 2026 projected margin: 9%

Positive

Note: FFS (fee-for-service), CAHPS (Consumer Assessment of Healthcare Providers and Systems).



Chair's draft recommendation

Chair's draft recommendation

For fiscal year 2027, the Congress should eliminate the update to the 2026 Medicare base payment rates for hospice.

Implications:

Spending: Decrease spending relative to current law

Beneficiary and provider: No adverse effect on access to care; continued willingness and ability of providers to treat beneficiaries



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