

Assessing payment adequacy and updating payments: hospice services

Kim Neuman

December 8, 2017

Overview of Medicare hospice, 2016

- Hospice use:
 - Over 1.4 million beneficiaries
 - About 50% of decedents
- Providers: about 4,400
- Medicare payments:
 - \$16.8 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

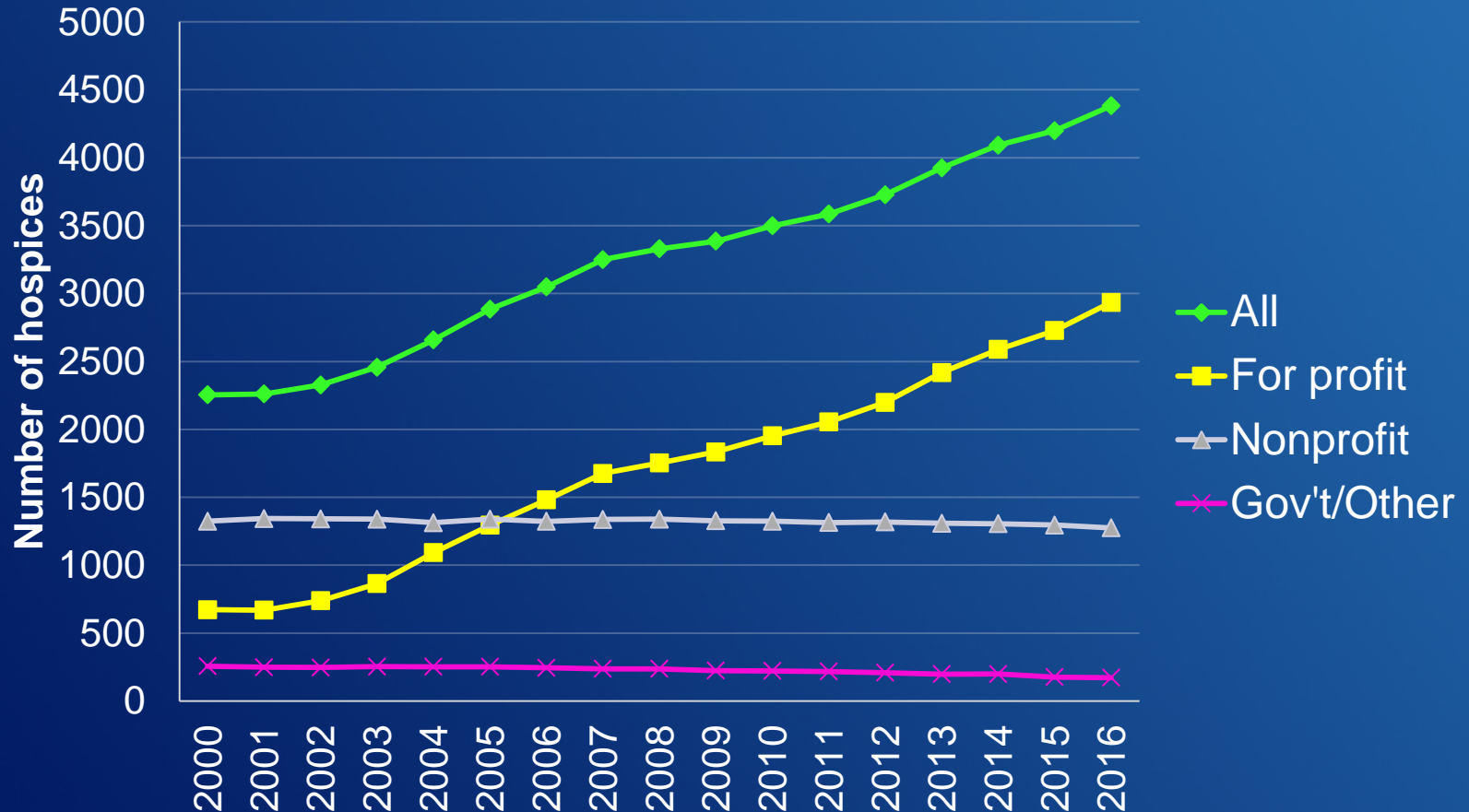
2016 hospice payment system change

- MedPAC in March 2009 recommended payment changes
 - Found payment system misaligned, with long stays very profitable
 - Recommended changing per diem payment from flat to u-shaped
- Beginning January 2016, CMS revised payment system for routine home care (RHC)
 - Two per-diem rates for RHC: Higher days 1-60, lower days 61+
 - Last 7 days of life: Additional payments for registered nurse and social worker visits (up to 4 hours payable per day)
- CMS projected change to be budget neutral but to redistribute revenues across providers
 - Projected revenue increase for provider-based, nonprofit, and rural hospices

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 are preliminary and subject to change

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

Hospice use continues to grow

	Percent of Medicare decedents using hospice			Average annual percentage point change	Percentage point change
	2000	2015	2016	2000-2015	2015-2016
All decedents	22.9%	48.6%	49.7%	1.7	1.1
Age <85	23.7	43.0	43.7	1.3	0.7
Age 85+	21.4	57.1	59.1	2.4	2.0
White	23.8	50.5	51.8	1.8	1.3
Minority	17.3	38.4	39.1	1.4	0.7
Urban	24.2	49.7	50.7	1.7	1.0
Rural	17.5	43.8	45.2	1.8	1.4

Hospice use and expenditures increased in 2016

	2000	2014	2015	2016
Medicare hospice spending (billions)	\$2.9	\$15.1	\$15.9	\$16.8
Number of hospice users	534,000	1,324,000	1,381,000	1,427,000
Total hospice days among all beneficiaries (millions)	26	92	96	101
Length of stay among decedents (days)				
Average	53.5	88.2	86.7	87.8
25 th percentile	6	5	5	5
50 th percentile	17	17	17	18
90 th percentile	141	247	240	244

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, 2016

Average length of stay for decedents varies by:

- Diagnosis (neurological: 148 days; cancer: 53 days)
- Patient location (assisted living facility: 152 days; nursing facility: 106 days; home: 90 days)
- Ownership (for-profit: 106 days; nonprofit: 66 days)
- Type of hospice (freestanding: 91 days; provider-based: 63 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.

Limited quality data are now available

- Hospice Compare includes data on 7 process measures
 - documentation of preferences, addressing beliefs and values, shortness of breath screening and treatment, pain screening and assessment, bowel regimen for patients receiving opioid
- Most hospices scored very high on most measures suggesting these measures are or will become topped out
 - For 6 measures, 75% or more of hospices scored at least 93%
 - Performance was somewhat more varied on the pain assessment measure and a composite of the 7 measures
- Other quality reporting efforts
 - Hospice Consumer Assessment of Healthcare Providers and Systems (CAHPS)
 - Hospice visits when death is imminent

Note: Figures are preliminary and subject to change.
Source: MedPAC analysis of the Hospice Item Set from CMS.

Live discharge rates

- Unusually high live discharge rates may be a signal of poor quality or program integrity issues
- Overall, the live discharge rate increased slightly from 16.7% in 2015 to 16.9% in 2016
- Some providers have substantially higher live discharge rates than their peers
 - The top 10 percent of hospices had live discharge rates of 53 percent or more in 2016

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 (7% increase in 2016)
 - 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

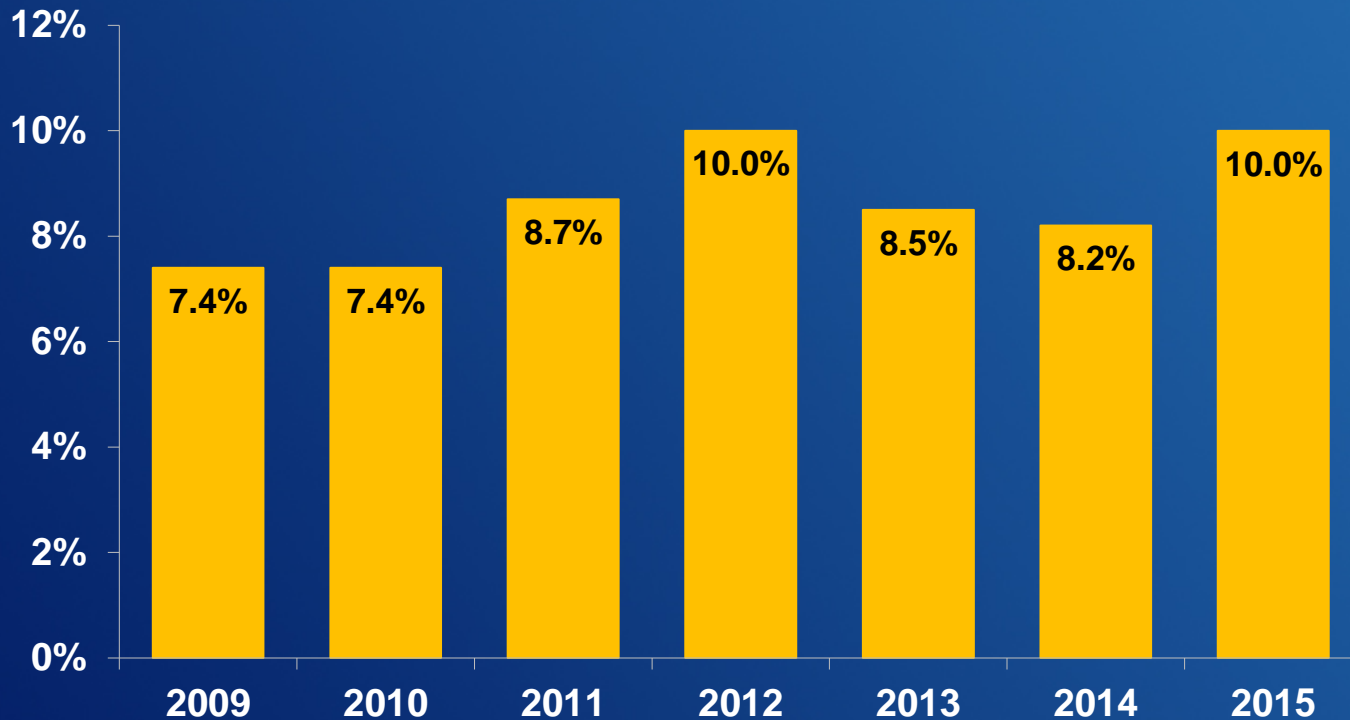
Estimated cost by level of care for freestanding providers, 2015

Level of care	Average cost per day	Median cost per day	Medicare payment per day	Share of hospice days
Routine home care	\$124	\$125	\$159	97.8%
General inpatient care	\$793	\$882	\$709	1.6
Inpatient respite care	\$481	\$343	\$165	0.3
Continuous home care	\$48 per hour	\$51 per hour	\$39 per hour	0.3

Note: Estimated cost per day, payment rate per day, and share of hospice days are for 2015. Figures are preliminary and subject to change.

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

Hospice Medicare margins, 2009-2015



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

Medicare margins vary by type of provider, 2015

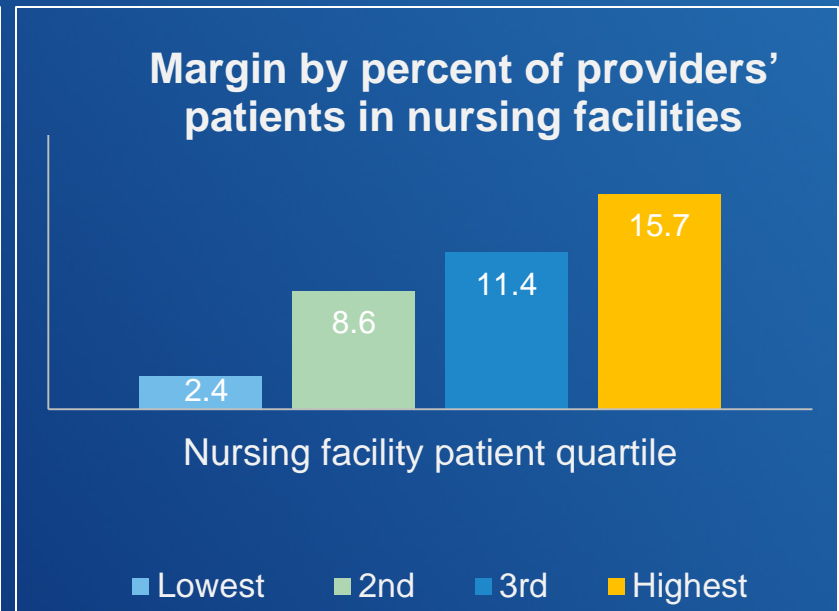
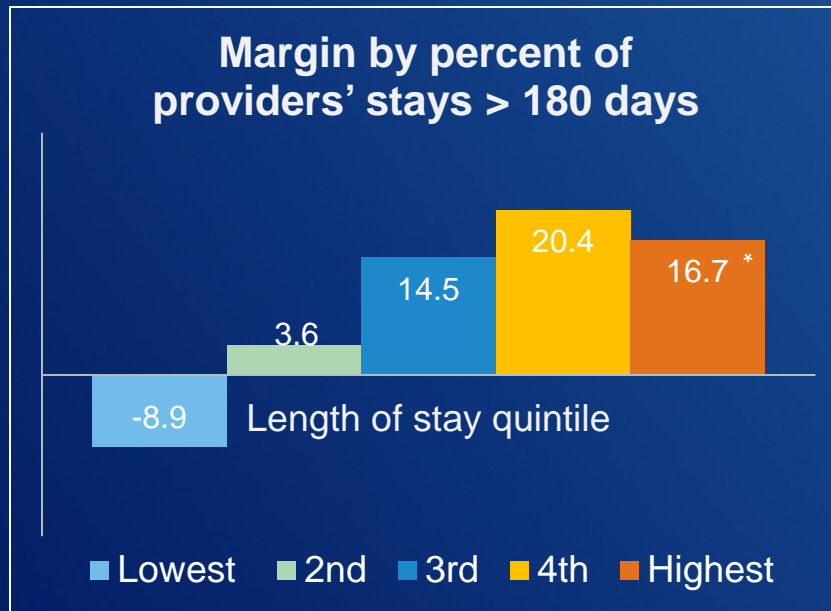
	Percent of hospices	Medicare margin, 2015
All	100%	10.0%
Freestanding	75	13.8
Home-health-based	12	3.3
Hospital-based	12	-22.9
For profit – all	65	16.4
– freestanding	60	17.1
Nonprofit – all	31	0.1
– freestanding	15	5.0
Urban	78	10.5
Rural	22	4.9
Below cap	87.7	10.0
Above cap (exclude/include overpayments)	12.3	9.9/21.4

- 2015 marginal profit: 13%

Note: Figures are preliminary and subject to change. Margins exclude cap overpayments (except where noted) and non-reimbursable costs.

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, 2015



* The margin for the highest length of stay 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 21 percent. Note: Figures are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs.

Payment reforms in 2016 modestly redistributed revenues across providers

- Our 2015 margin estimates do not reflect the 2016 payment system changes for routine home care
- We compared 2016 actual payments to what estimated 2016 payments would have been under the old structure
- New payment system led to modest payment changes for provider groups in 2016
 - Providers' percent of stays > 180 days: lowest quintile (3.3%), middle quintile (-0.4%), highest quintile (-2.9%)
 - Nonprofit (1.1%), for-profit (-1.3%)
 - Hospital-based (2.6%), home health-based (1.0%), freestanding (-0.6%)
 - Rural (0.3%), urban (-0.3%)

Summary

- Indicators of access to care are favorable
 - Supply of providers continues to grow, driven by for-profit hospices
 - Number of hospice users and ALOS among decedents increased
- Limited quality data are now available
- Access to capital appears adequate
- 2015 aggregate margin is 10.0%
- 2015 marginal profit is 13%