
# Assessing payment adequacy and updating payments: Hospice services

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December 3, 2020

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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
- 4 levels of care: routine home care (RHC) (>98% of days) and 3 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 7 days of life)
  - 2020: Rebasing to substantially increase payment rates for other 3 levels of care and slightly decrease RHC rates

# Overview of Medicare hospice, 2019

- Hospice use:
  - Over 1.6 million beneficiaries
  - Over 51% of decedents
- Providers: Over 4,800
- Medicare payments: $20.9 billion

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Note: Data are preliminary and subject to change.

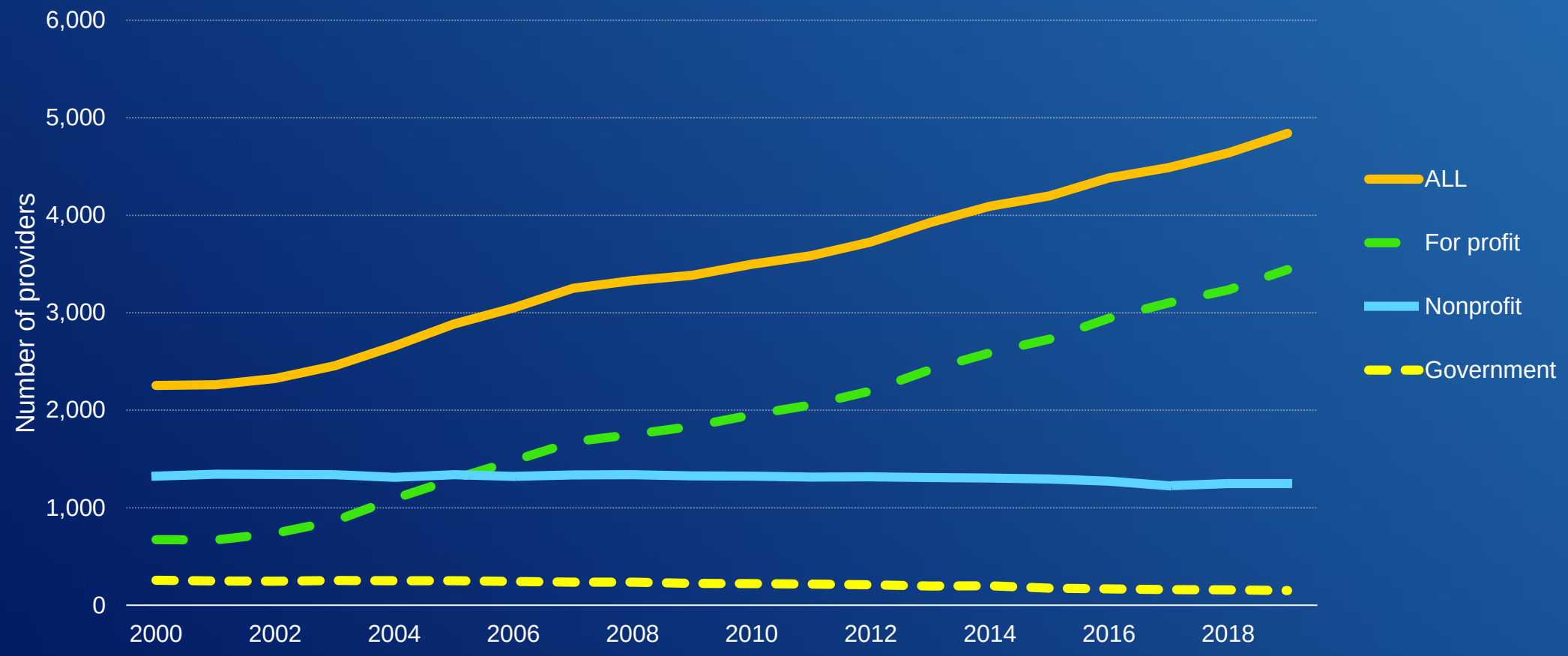
# Hospice payment adequacy framework

| Beneficiaries' access to care | Quality of care | Hospices' access to capital | Medicare payments and hospices' costs |
|---|---|---|---|
| • Supply of providers<br>• Use rates, length of stay, patient days<br>• Marginal profit | • Admission process measures<br>• Visits at end of life<br>• CAHPS survey | • Provider entry<br>• Financial reports and mergers and acquisitions | • Payments and costs<br>• Overall Medicare margins in 2018<br>• Projected overall Medicare margin in 2021 |

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.

# Hospice use continues to grow

- Share of decedents using hospice before death continues to increase
  - In 2019, 51.6% of decedents used hospice, up from 50.6% in 2018
- Average length of stay among decedents increased to 92.6 days in 2019, from 90.3 days in 2018
  - Many beneficiaries have short stays (median of 18 days) while some have very long stays (90$^{th}$ percentile of 266 days)
- Marginal profit -- 16 percent in 2018 -- is a positive indicator of access

Note: Data are preliminary and subject to change. Length of stay data are for Medicare decedents and reflect the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime.

Source: MedPAC analysis of the Medicare Beneficiary Database accessed November 2020, Common Medicare Enrollment file, and cost report data from CMS.

# Hospice quality data are limited

- Very high scores on measures related to processes of care at admission, indicating the measures are topped out
- Slight improvement on measure of whether patients received at least 1 visit from nurse or other clinician in last 3 days of life
- Hospice CAHPS scores were stable
  - Highest scores: treating patients with respect (91%) and providing emotional support (90%)
  - Lowest scores:  pain and symptoms help (75%), caregiver training (76%), timely help (78%)
- Recent OIG study identified subgroup of about 300 poor performers based on deficiency and complaint data

Note: Data are preliminary and subject to change. CAHPS (Consumer Assessment of Healthcare Providers and Systems).
Sources: MedPAC analysis of CAHPS and Hospice Item Set data from CMS.  Office of Inspector General, Department of Health and Human Services. 2019. Hospice deficiencies pose risks to Medicare beneficiaries.OEI-02-17-00020.

# Access to capital appears positive

- Hospice is less capital-intensive than some provider types
- For-profit providers
  - Continued growth in the number of for-profits (6.5% increase in 2019)
  - Financial reports suggest the sector is viewed favorably by private equity investors and health care companies seeking acquisitions
- 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.

# Medicare margins vary by type of provider

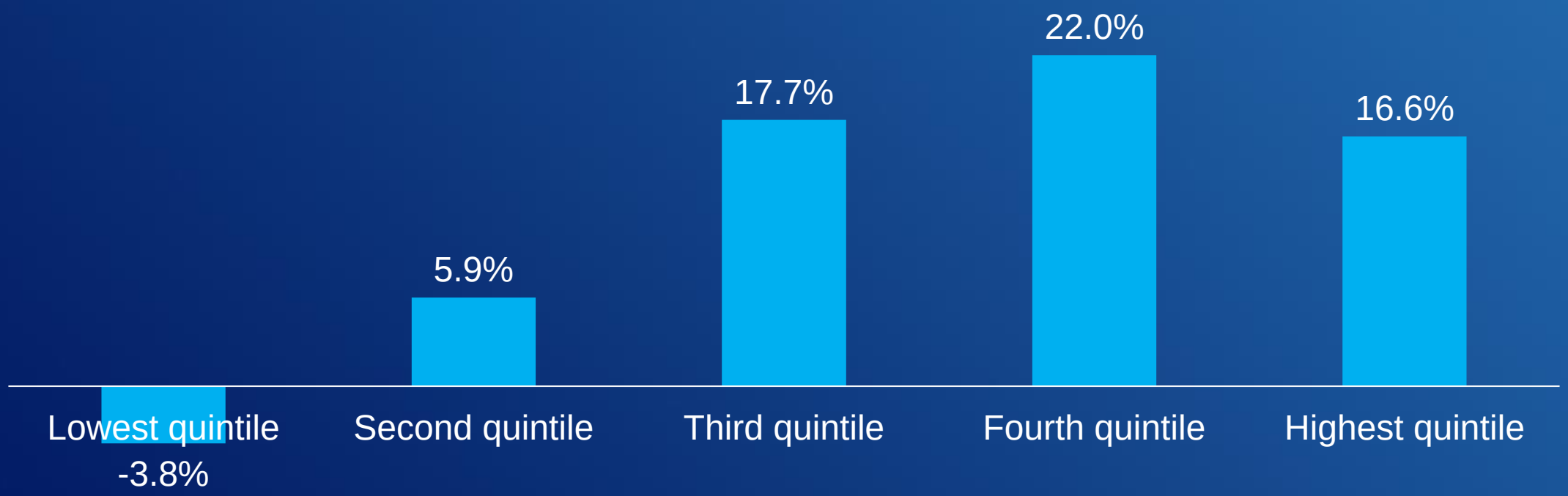
| | Medicare margin 2018 | Percent of providers |
|---|---|---|
| All | 12.4% | 100% |
| Freestanding | 15.2 | 80 |
| Home-health-based | 8.4 | 10 |
| Hospital-based | -16.5 | 10 |
| For profit | 19.4 | 70 |
| Nonprofit | 3.8 | 27 |
| Urban | 12.6 | 81 |
| Rural | 10.3 | 19 |

Note: Data 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.

# Hospice margins increase with length of stay

**Provider margins by quintile based on percent of stays greater than 180 days**




Note: Data are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs. 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 22 percent.

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

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# Summary: Hospice payment adequacy indicators generally positive

| Beneficiaries' access to care | Quality of care | Hospices' access to capital | Medicare payments and hospices' costs |
|---|---|---|---|
| • Growth in provider supply<br>• Growth in volume (use rates, ALOS)<br>• Positive marginal profits (16%) | • Process measures topped out<br>• Visits at end-of-life up slightly<br>• CAHPS stable<br>• OIG identified subgroup of poor performers | • Continued entry of for-profits<br>• Sector viewed favorably by investors<br>• Provider-based have access via parent provider | • 2018 Medicare margin: 12.4% |
| Positive | Mostly positive; limited measures | Positive | Positive |

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Note: ALOS (average length of stay). CAHPS (Consumer Assessment of Healthcare Providers and Systems). Data are preliminary and subject to change.

# Effect of pandemic on hospice services

- Limited data available, mostly from publicly traded companies
  - Patient volume declined in the spring but has rebounded
  - Decrease in nursing and assisted living facility patients and increase in patients in other settings
  - Varied effects on length of stay
- Like other providers:
  - Hospices have incurred some additional costs (e.g., for personal protective equipment and testing)
  - Federal grants and loans received by some providers and temporary policy changes (e.g., flexibility to use telehealth visits) have helped ease the effects on providers

# Hospice aggregate cap

- Cap limits aggregate payments a hospice provider can receive annually ($30,684 in FY 2021 irrespective of geography)
- Hospices that exceed the cap have long lengths of stay and high margins
  - In 2018, 16.3% of hospices exceeded the cap. Their margin was 21.9% before and 12.1% after return of cap overage
- In lieu of an across-the-board payment reduction, in March 2020 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.