Eli's Hospice Insider

Budget: Declining Hospice Profit Margin Shouldn't Stop Rate Freeze, MedPAC Urges

Non-cancer diagnoses catch MedPAC's eye.

Flat spending and a decrease in live discharges won't be enough to keep hospices' heads off the budget chopping block, if the **Medicare Payment Advisory Commission** gets it way.

In its annual March report to Congress, the influential advisory body points out the "substantial market entry" of mostly for-profit hospices since 2000, the 400 percent increase in spending over that time period, and increases in number of hospice users and lengths of stay (for specific statistics, see Eli's Hospice Insider, Vol. 9, No. 3).

One reason for the spending and utilization jump over the past decade and a half is patients' diagnoses. Back in 2000, about 48 percent of Medicare hospice beneficiaries had non-cancer diagnoses, MedPAC says in the report. In 2014, that figure was up to 71 percent.

Specifics: In 2014, the most common noncancer primary diagnoses reported were for heart and circulatory disorders (26 percent) and neurological conditions (24 percent), according to MedPAC.

Those figures rose from 19 and 18 percent, respectively, when the **Centers for Medicare & Medicaid Services** banned debility and adult failure to thrive as primary diagnoses in 2013, MedPAC points out. The percentage of those diagnoses combined dropped from 9 percent in 2013 to 1 percent in 2014.

MedPAC Urges Long View

MedPAC cites these figures that stayed even or dropped:

- Medicare spending on hospice remained flat at $15.1 billion in 2014;
- profit margin decreased from 10 percent in 2012 to 8.6 percent in 2013, with an estimated margin of 7.7 percent in 2016;
- length of stay remained nearly flat at about 88 days; and
- the number of hospice patients discharged alive fell 1.7 percent in 2014.

Despite those stagnating or falling figures, lawmakers should still freeze hospice Medicare payment rates, MedPAC insists in the report. That would strip up to $750 million from hospice payments in 2017.

Why? MedPAC includes a laundry list of hospice fraud concerns ranging from high profits for Assisted Living Facility residents to a dearth of skilled visits in the last few days of life to the continuing entry of for-profit providers. And while the last few years have seen moderate growth numbers, those figures skyrocketed in the previous decade or so, the commission points out.

"Hospices should be able to accommodate cost changes in 2017 without an update to the 2016 base rate," MedPAC argues.

In addition to the official recommendation for a rate freeze, MedPAC also references a 3-to-5 percent pay cut for skilled nursing facility residents and including hospice in Medicare Advantage programs.

Note: See the hospice chapter of the report at http://medpac.gov/documents/reports/chapter-11-hospice-services-(march-2016-report).pdf.