

## Eli's Hospice Insider

### Budget: MedPAC Wants Medicare Rates Slashed

**The influential advisory body to Congress isn't content with just a rate freeze any more.**

Along with a climbing profit margin for hospices comes pressure to reduce Medicare payment rates.

"For 2020, the Congress should reduce the fiscal year 2019 Medicare base payment rates for hospice providers by 2 percent," the **Medicare Payment Advisory Commission** urges in its annual report to Congress released last month.

Among the many factors MedPAC cites as proof of the industry's more-than-adequate payment level is its profit margin. "The aggregate Medicare margin for hospice providers was 10.9 percent in 2016, reaching its highest level in more than 10 years," the report highlights. That compares to a 9.9 percent margin in 2015, and 7.4 percent margin in 2010, MedPAC notes.

Margins are also higher on average for hospices that are for-profit, have patients with long stays, and have patients with long stays in skilled nursing facilities and/or assisted living facilities, MedPAC says.

"There is no doubt that some providers have margins that are high, even when accounting for services - such as bereavement - that are required but not separately reimbursed," notes the **National Hospice & Palliative Care Organization** in a release about the report. "However, NHPCO has stressed to MedPAC that quality of patient care - rather than days or margins - should be paramount."

The MedPAC report relies "on simple averages that do not display the wide range in financials for providers, gives short shrift to hospital-based providers, and essentially ignores the overall financial status of home health agencies and hospices," criticizes **National Association for Home Care & Hospice** President **William Dombi**.

Hospice providers at least fare better than home health agencies in the report, with a 2 percent cut recommendation versus 5 percent, allows **Sandy McCleve** with **Advantage Healthcare Consulting Cost Report & Reimbursement** in North Salt Lake, Utah. But they still face the mounting pressure of wage increases squeezing their margins.

The 2 percent cut recommendation is notable because before this year, MedPAC has only recommended rate increases or, more recently, rate freezes. "A 2 percent cut to hospice reimbursement may have unintended consequences affecting access to hospice and quality of care and would likely increase overall Medicare spending by driving patients to more expensive and less appropriate care settings," NHPCO warns.

**Alternative:** MedPAC should consider recommending a 2 percent cut for hospices that don't report quality data instead, NHPCO suggests. "This would be in addition to current policy for failure to participate in quality data collection."

**Tip:** MedPAC's recommendation indicates that the industry appears destined to experience increased financial and regulatory pressure going forward. As such, hospice providers should turn their attention to diversifying their revenue sources so they are "not completely dependent on Medicare," McCleve advises.

However, MedPAC notes that "Medicare is the largest payer of hospice services, covering more than 90 percent of hospice patient days in 2017." That makes diversifying "easier said than done," McCleve tells **Eli**.

#### Pay Rebalancing Looms

Medicare and MedPAC did seem to hope that hospice payment system changes such as creating two payment levels for Routine Home Care days and implementing Service Intensity Adjustment payments for visits in the last seven days of life would help balance out high- and low-margin hospices. But that doesn't seem to be happening, MedPAC concludes.

"There are concerns that several aspects of the hospice payment system are out of balance," MedPAC says. "The payment rate for routine home care (which accounts for 98 percent of days) exceeds providers' costs substantially, while the payment rates for the other three less frequent levels of care appear to be below providers' costs."

Furthermore, "long stays in hospice have been very profitable, and those profit opportunities have drawn some new actors into the industry with revenue-generating strategies," MedPAC continues. "Patients with long stays in hospice account for more than half of Medicare's payments for hospice - over \$10 billion in 2017."

**Bottom line:** "The changes CMS made to the payment structure in 2016 have had only a modest effect, and providers with the most long-stay patients continue to have high profit margins," MedPAC says. And, "for the first time in 2016, above-cap hospices had a higher margin than below-cap hospices, even after the return of cap overpayments."

That all means that "the Commission will consider approaches to rebalance the payment system in the future," it says.

Note: The 32-page hospice chapter of MedPAC's report is at [www.medpac.gov/docs/default-source/reports/mar19\\_medpac\\_ch12\\_sec.pdf](http://www.medpac.gov/docs/default-source/reports/mar19_medpac_ch12_sec.pdf).