

Eli's Hospice Insider

Budget: Reimbursement Cuts, SNF Scrutiny May Come Your Way This Year

Don't be surprised if a hospice copayment proposal rears its ugly head.

If you're wondering what to expect on your radar screen in the rest of 2011, you can look to a recent report to Congress for clues.

The **Medicare Payment Advisory Commission** is advising Congress to cut back hospices' Medicare payment rate update for 2012 to just 1 percent. That compares to the currently proposed 2.3 percent payment hike from the **Centers for Medicare & Medicaid Services** (see related story, p. 36). The cut would strip up to \$250 million from Medicare's hospice spending next year.

Why? MedPAC expects hospices to have an average Medicare profit margin of 4.2 percent in 2012, it says in its March report to Congress. And the industry has seen exponential growth in the last decade (see related box, p. 37). "The number of hospices has increased ... because of the entry of for-profit providers," says the influential advisory body to Congress in the report. "The number of beneficiaries enrolled in hospice, average length of stay, and total hospice payments have also increased."

The increased number of hospices doesn't necessarily translate into increased access to the benefit, MedPAC maintains in the report. "We do not expect this recommendation to have adverse impacts on beneficiaries' access to care," the report says. And it "is not expected to affect providers' willingness and ability to care for Medicare beneficiaries."

Hospices aren't alone in receiving recommendations for payment cuts from MedPAC this year, notes the **National Association for Home Care & Hospice**. But it would be particularly punishing for hospices in light of the wage index BNAF cut taking place at the same time.

And the profit margins don't take into account hospices' bereavement and volunteer costs, which aren't reimbursable under Medicare and thus don't show up on the cost report. That could be why MedPAC allows for a 1 percent increase instead of keeping the rate flat like with other providers, since the Commission cites those items in the report, industry experts guess.

Copay Alert

Aside from the official recommendation for the update reduction, MedPAC also implies that a hospice copayment could be warranted. "Beneficiary cost sharing for hospice services is minimal," MedPAC criticizes. Most hospices don't even charge or collect the modest drug and respite care copays that are allowed under the program.

"Given that hospice is one of the only areas in the Medicare program with minimal or no cost sharing and given that hospice length of stay has increased substantially for patients with the longest stays, in the future the Commission may explore the potential for modest cost sharing within the hospice benefit," the report tells Congress.

Some law- and policymakers have been very enthusiastic about the idea of copayments for home health agency services, and the same idea may catch on for hospices -- especially if lawmakers are looking for funding for other provisions, industry veterans worry.

MedPAC also reiterates its recommendations from its 2009 report regarding hospice-nursing home relationships. MedPAC wants the **HHS Office of Inspector General** to investigate multiple topics related to hospice services for skilled nursing facility patients.

For example: Financial relationships between hospices and SNFs or assisted living facilities "may represent a conflict of interest and influence admissions to hospice," MedPAC warns. And the long lengths of stay for SNF patients may be sketchy, the advisory body implies.

Note: MedPAC's report is at www.medpac.gov/documents/Mar11_EntireReport.pdf.