

Eli's Hospice Insider

Budget: Wage Index For Cap Would Hurt Rural Providers

Another cap change recommendation from MedPAC is on deck.

How a wage index change to the hospice aggregate cap would affect you depends, of course, on your wage index amount.

In addition to cutting the aggregate cap amount by 20 percent, the **Medicare Payment Advisory Commission** plans to recommend that Congress require the **Centers for Medicare & Medicaid Services** to adjust the cap amount for wage index, according to the advisory body's Dec. 6 meeting. Currently, the cap is not wage adjusted.

More hospices exceed the cap in high-wage index areas than low-wage index areas now, because the cap is not wage adjusted, said MedPAC staffer **Kim Neuman** in the meeting. Wage adjusting the cap would "improve equity ... across geographic areas with difference wage indices," Neuman's presentation noted.

Impact: The effect of wage adjusting the cap would be to give urban hospices more money and rural hospices less, which is interesting because currently urban hospices have higher profit margins than rural ones.

Industry reaction to the wage index proposal is mixed. Wage adjustment may cause access problems, warns the **National Hospice & Palliative Care Organization**. "Urban providers that serve rural areas may reduce their service areas to mitigate cap risk," NHPCO tells MedPAC in a letter.

Congress originally intended for the aggregate cap to be adjusted regionally, recalls the **National Association for Home Care & Hospice** in a letter to MedPAC. But when the regional adjustment ran into problems, "substitution of a flat rate ... has resulted in inequities, particularly for areas of the country with high labor costs," NAHC notes.

The result of wage adjusting the cap will be significant redistribution, NAHC warns. "Patients in lower wage areas of the country" - including many Southern states - "experience poorer health generally, which could mean multiple comorbidities and more intensive care needs. Changes to care incentives, unless handled carefully, could impact these patients negatively," the trade group tells MedPAC.

Plus: "Since hospice providers do not receive the same wage index protections that are afforded hospitals, some hospices experience significant financial losses from one year to the next when the wage index drops precipitously," NAHC adds. "Given this concern, application of the wage index to the hospice cap injects uncertainty regarding the cap value from year to year."

Another problem is that if CMS uses the patient's residence location for wage adjustment, it will create "challenges for hospices to track their cap liability status throughout the course of a year," NAHC says.

On the other hand: The current lack of wage adjustment "discriminates against hospices in high wage index geographical areas of the county," maintains consulting firm **The Health Group** in Morgantown, West Virginia. Wage adjustment is needed.

But both NAHC and The Health Group urge MedPAC to recommend phasing in any changes, to help providers adjust. "Rural providers could be significantly impacted," The Health Group cautions in its electronic newsletter.

And if implemented, they hope to see changes capped "on both on the lower and upper end," The Health Group says. That would be essential considering hospices' inability to request reclassification.

