

Eli's Hospice Insider

Hospices Tighten Belts in Response to BNAF Cut

Start-ups are vulnerable to closures.

The reduced Medicare rate update for hospices that took effect Oct. 1 is hurting, but the pain is going to get a lot worse.

The Centers for Medicare & Medicaid Services finalized a 25 percent reduction to the budget neutrality adjustment factor (BNAF) in its July 31 final rule published in the Federal Register (see Eli's Hospice Insider, Vol. 1, No. 2, p. 12).

The BNAF change translated to a 1.1 percent reduction to hospice rates.

But combined with the 3.6 percent inflation update for 2009, hospices still received a 2.5 percent increase from Medicare for the year, points out **Janet Neigh** with the National Association for Home Care & Hospice.

The modest rate increase has caused some confusion among hospices, says **Jeff Towns** with the Michigan Hospice & Palliative Care Organization. "I got calls saying 'I thought we were getting cut,'" Towns tells **Eli**.

Even that relatively moderate rate reduction is taking its toll on providers. "The rate cuts are causing an additional burden," says **Jennifer Hale** with the Georgia Hospice and Palliative Care Organization. "This is true for all hospices, regardless of tax status, average daily census, or locale." But small providers are bearing the brunt of the impact, Hale notes. "For smaller hospices with more limited resources ... this becomes even more difficult as there is less room for deceleration," she says.

Trouble for new providers:

Many start-up owners don't realize how much money they'll need just to see it through to Medicare certification, Towns notes. A quarter- to half-million dollars in Michigan isn't unusual.

Start-ups and other providers without reserves will be vulnerable to closures and acquisitions, expects **Greg Martin**, president of the Alabama Hospice Organization and president of Hospice Family Care in Huntsville. Georgia is already seeing closures and significant staffing reductions,

Hale reports. "Some hospices are affected immediately and adversely."

Bad timing: Other pressures hospices are facing aren't helping matters. Chief among those is the depressed economy, says **Judy Brunger** with The Carolinas Center for Hospice and End of Life Care, the trade group for North and South

Carolina hospices. "The uncertain economy, affecting both state and national budgets, will continue to create pressures on our hospice providers to look at 'belt tightening' where they can," Brunger notes.

Economic problems weigh heavily on hospices' foundations, which tend to rely on stock investments,

Towns points out. And they suppress donations that hospices use to sustain their budgets.

Other pressures include transportation costs and staff shortages, points out **Dan Hull** with the Utah Hospice & Palliative Care Organization.

Bright side: One thing that has kept hospices from faring worse under the BNAF cut is the drop in fuel prices, notes **Jane Evans** with the Arkansas State Hospice & Palliative Care

Association. "The first cut has not been devastating in part because the cost of gasoline has fallen," Evans believes.

The generous 3.6 percent market basket inflation update which offset the 1.1 percent BNAF cut also has helped matters, Towns highlights. **Storm brewing:** But don't expect the industry's health to last long if the next BNAF cut takes effect, reps warn. CMS will double the BNAF cut to 50 percent next October and then the final 25 percent, completely eliminating the factor, the year after. That will mean an estimated 2.2 percent in cuts for 2010 and another 1.1 percent in 2011.

"I don't think most of our members will feel the rate cut until the second year," says **Melanie Ramey** with trade group The Hospice Organization and

Palliative Care Experts of Wisconsin.

"The effect will be much stronger next year," Neigh agrees. If hospices receive an inflation update as low as HHAs' this year — 2.9 percent — then their rates would increase by only 0.7 percent. The market basket update could go even lower. "Who knows?" Neigh says.