

Eli's Hospice Insider

Medicare: Hospice Payment Change Will Create Winners, Losers

Profit margins to drop for hospices with long-stay patients in U-shaped model, MedPAC expects.

Like any payment reform, a change to Medicare's hospice reimbursement methodology will shake up distribution of payment. Where will you fall under the likeliest new pattern?

The hospices benefiting most from the U-shaped methodology deemed likeliest for adoption would be those with lower length of stay patients □ programs that take patients closer to death, points out **William "Ted" Cuppett** with **The Health Group** in Morgantown, W.Va. Hospices hurt most by the switch would be those with long LOS patients. Those agencies are more likely to bump up against their hospice caps.

High-margin agencies will see their profits reduced under the model, forecasts the **Medicare Payment Advisory Commission**. Using 2010 data, hospices with the highest share of cases exceeding 180 days saw a 17.1 percent margin. They would have seen their margin reduced to 13.8 percent under the model.

Hospices with the lowest share of cases exceeding 180 days saw a -1.2 percent margin in 2010, MedPAC says. Under the model, they would have seen that profit margin increase to 4.2 percent.

In light of the stats, a number of MedPAC commissioners would like to see even more aggressive payment reform, they indicated in the meeting. "We're trying to remove from the system ... the real driving incentive to say, 'more days, more dollars,' and getting people into hospice well in advance of when they should be in there," noted MedPAC Executive Director **Mark Miller**.

The flip side: But policymakers should move with caution, urged Commissioner **Herb Kuhn** with the **Missouri Hospital Association**. "Sometimes even small tweaks to the system can bring about big changes," Kuhn said in the meeting. He gave therapy utilization under home health PPS as an example. "It can have a big impact very quickly," he warned. "We can't lose sight of that as we go forward," Kuhn continued.

Industry reaction: "Some hospices may not like it," Cuppett acknowledges. But the payment rate would reflect the intensity of services. "It has a ton of benefits for CMS and for hospices," he maintains. "It's conceptually the right approach for CMS and for hospices."

Not all industry veterans are so sure. "MedPAC's approach to hospice payment reform [is] pretty one dimensional," believes **Jay Mahoney** with **Summit Business Group** in Penfield, N.Y. "The U-shaped reform is likely to severely compromise the value of hospice care to patients," says Mahoney, who headed the National Hospice Organization (now NHPCO) for 14 years. And "it could very well reduce the cost savings to the Medicare Trust Fund generated by hospice services."

The U-shaped methodology may encourage shorter lengths of stay, Mahoney expects.

The change won't necessarily curb abuse as policymakers hope, either, Mahoney predicts. "At the end of the day, there is little reason to believe that payment policy reform in the absence of structural reform will do much more than simply change the approach of those hospices that have chosen to exploit the current system to another approach that exploits the U-Shaped methodology," Mahoney tells **Eli**.

Be prepared: Regardless of the final details or your opinion on the change you should expect variable payment rates for Medicare hospice reimbursement soon and prepare accordingly, Cuppett advises.

Note: See MedPAC's slides including the statistics at www.medpac.gov/transcripts/hospice_April_2013_presentation.pdf.