Eli's Hospice Insider

Payment: Multiple Factors Increase Hospice Costs - And Pressure Providers

Commenters give CMS a laundry list of reasons they can't cope without higher reimbursement.

From COVID costs to the labor environment to sequestration cuts, hospices are already buried in a reimbursement hole - and they need higher payment rates to dig out.

There are many reasons hospices' costs are running so much higher than usual, and thus increased reimbursement is required, commenters on the 2023 rule tell the Centers for Medicare & Medicaid Services. Those reasons include:

- **COVID.** "During the COVID-19 public health emergency (PHE), Kindred at Home has been expending significant resources to maintain the highest quality of care while keeping both our employees and our patients safe and protected," KAH CEO **David Causby** says in the behemoth's comment letter. "This increased effort is not reflected in the current payment rate and KAH encourages CMS to finalize a payment rate increase reflective of the current cost of care.

A whole host of expenses fall under the COVID umbrella, many agencies and their representatives report. "The ongoing expenses for personal protective equipment (PPE) and other equipment now have to be worked into hospices' budgets and our margins were already thin," laments **Donna Wilhelm** with Catholic health system-based Trinity Health at Home in the agency's letter.

Not only was much of the PPE new, "the pandemic has ... increasingly disrupted supply chains for important protective equipment, ingredients, biologics, and more," greatly increasing prices, notes **Brian Vamstad** with Minneapolis-based Allina Health in the health system's comment letter.

Other infection control efforts, such as testing, vaccination, and reporting requirements, have also increased costs, highlights **Nick Westfall**, CEO of VITAS Healthcare, in the Miami-based chain's letter.

COVID also sparked "a number of changes to [hospices'] care practices," National Association for Home Care & Hospice President **William Dombi** says in the trade group's letter. "Many patients and families refused in-person visits; as a result, hospices have invested significantly in telecommunications equipment to support technology-based visits so that they can continue to monitor and care for patients and their loved ones and maintain patients on service."

Hospices also saw their fundraising efforts curtailed and incurred expenses related to loans, Dombi notes.

And of course, COVID gave rise to the extreme labor shortage.

- **Labor.** "Like other healthcare providers, hospices are facing significant staffing shortages that are contributing to considerable increases in hospice staff wages and salaries," notes physician **Tara Friedman**, president of the American Academy of Hospice and Palliative Medicine, in the professional organization's comment letter.

But costs go beyond the obvious salary comparisons. Staffing-related activities such as recruitment, training for new hires, retention efforts, time off, high turnover, and more also factor in.

And the situation for hospices is worse. "Hospices face more pronounced workforce issues relative to other health sectors," VITAS' Westfall maintains. "One reason may be the small size of the hospice sector relative to other health care sectors," he suggests. For example, National Health Expenditure (NHE) data show hospital care accounted for $1.2 trillion in personal health care spending in 2019, while Medicare spent "just $20.9 billion" on hospice services that same year, he cites.

- **Inflation.** Related to increased staffing costs is inflation. It increases employees' cost of living, requiring commensurate pay increases. And of course, it costs hospices directly as well.

"The U.S. Department of Labor reported on May 11, 2022 that 'the all items index increased 8.3 percent for the 12 months ending April,'" notes **Naja Di Pilla** with Housecall Providers Hospice in Portland, Oregon. "To have the proposed payment increase be 5.6 percent lower than the rate of inflation means that hospices will continue to struggle with workforce shortages and the ability to provide care for dying patients," Di Pilla tells CMS in the agency's comment letter.

"Hospices are subject to many of the same inflationary pressures that are affecting the country as a whole," AAHPM's Friedman emphasizes.

- **Fuel.** Prices for most things are rising, but gas prices are particularly through the roof. "Gas prices alone rose by 48 percent year-over-year in March, which has a significant impact on hospices, given the preponderance of home-based care delivery that requires extensive travel by car," Friedman stresses.

  "Hospice clinicians, unlike their facility-based counterparts, are by nature traveling from patient to patient and have incurred significant expense related to travel," points out **Donna Wilhelm** with Catholic health system-based Trinity Health at Home in the agency's letter. "It is noteworthy that the Internal Revenue Service, despite a dramatic increase in gasoline prices, has not modified the mileage reimbursement rate. This in essence requires the Hospice clinical providers to absorb the additional expense."

Plus: "There has been considerable inflation in terms of the cost of a vehicle," Wilhelm notes. "With the ongoing travel required, we are concerned that colleagues nearing the end of the life cycle of the vehicle may opt to transition to a new role requiring less travel to extend the life of their vehicle" - and leave hospice.

- **Sequestration.** Don't forget to factor in the 2 percent sequestration chop that's set to go into full effect in July.

"With the impact of the full 2 percent sequestration rate going into effect on July 1st of 2022, the impact of the '2.7 percent payment increase' will in fact end up being only 0.7 percent," Housecall's Di Pilla calculates. "It is unrealistic and untenable to expect hospices to cope with an inflation rate over 8 percent and to only receive a 0.7 percent increase in payment," she blasts.

- **Regulatory burdens.** Hospices' requirements have increased, with a corresponding increase in costs, letter writers tell CMS. For example, "administrative costs have … risen due to hospice election statement addendum requirements that have recently taken effect," VITAS' Westfall highlights.

And there is an "increased regulatory burden of additional standardized data collection requirements hospices must perform," notes Henry Ford's **Michael Ellis**. "To maintain compliance with these standards, Henry Ford Hospice has had to dedicate additional staff hours for tracking and reporting patient assessments, which has resulted in a reduction in both productivity and number of patients the program can serve. Additionally, there are increased costs associated with maintaining our reporting tools, including vendor contracts that are needed to submit our data to CMS," he recounts.

- **Shorter LOS.** It's not just publicly traded companies seeing their length of stay stats go down. "We have heard anecdotally from all types of hospice providers that have had similar experiences," NAHC's Dombi observes. "Shorter lengths of stay contribute to higher costs for a variety of reasons, including generally higher care costs for patients with greater acute-care needs and fewer care days over which to budget overhead costs."
- **Complience** Medicare, the HHS Office of Inspector General, and other authorities have ramped back up on enforcement and scrutiny. "CMS has resumed most oversight activities "that were paused during COVID, "which

has resulted in increased administrative costs related to responding to these inquiries,” NAHC points out. "We also anticipate increased regulatory scrutiny through the eventual elimination of waivers instituted in response to the PHE and imposition of expanded requirements under the new hospice survey reforms,” Dombi adds. "All of these will require the institution of new policies and procedures to ensure appropriate compliance.”