

## Eli's Hospice Insider

### Payment: MedPAC Readies Recommendation That Congress Cut Hospice Pay 2% In 2020

**Hospice payment reform may need to go further, commissioners also suggest.**

Soaring Medicare spending on hospice over the past 15 years is one of the reasons considered by the **Medicare Payment Advisory Commission** in recommending a pay cut.

In their Dec. 7 meeting, MedPAC commissioners allowed a recommendation for a 2-percent payment rate reduction to proceed. Next month, commissioners will cast a final vote on the topic.

MedPAC staffer **Kim Neuman** pointed to a number of factors to support the cut, including a profit margin of 10.9 percent in 2016, the most recent year available. That's up from 9.9 percent in 2015 and is the industry's highest rate in the last seven years, according to a presentation Neuman gave to commissioners at the meeting.

Average profit margin also increased with a longer length of stay, Neuman noted. That's an indicator that the recent payment reform, which split rates into high (for early) and low (for later) Routine Home Care rates, "have only made a modest difference," she noted. "The underlying concerns that we've had about profitability by length of stay remain."

The move to RHC high and low rates "was directionally correct, then, in your opinion. We just need to steepen the adjustment?" commissioner **Brian DeBusk**, CEO of healthcare IT company **DeRoyal Industries** in Powell, Tennessee, asked in the meeting.

"The commission originally had a steeper suggestion than what [the **Centers for Medicare & Medicaid Services**] implemented, and so that is one way to go, to think about steepening it," Neuman offered. "And we could think about rebalancing it more in general as well."

It should be no surprise that scrutiny of the hospice industry is approaching levels similar to those for home health. Medicare spent \$17.9 billion on hospice services in 2017, MedPAC revealed, which is actually more than the \$17.7 billion Medicare spent on home health. That compares to a mere \$2.9 billion in Medicare hospice spending in 2000.

Also, for the first time, Medicare beneficiary decedants in hospice passed the 50-percent mark in 2017, Neuman pointed out in the meeting.

Seemingly in response to the climbing spending, utilization, and profit margin figures, MedPAC appears poised to switch gears this year from a rate freeze to a rate cut. Commissioners will vote on the 2-percent reduction in their next meeting.

In response to a question from DeBusk, Neuman had a difficult time articulating how the 2-percent figure was formulated, however.

"These update recommendations are an exquisite composite of science and judgment," offered MedPAC Chair and physician **Francis Crosson** in the meeting. "Sometimes the judgment is easily traceable to the science, and sometimes it's not. And that's why we have a commission."