

Eli's Hospice Insider

Policy: Hospice Spending Continues To Rise

Increasing cap overages, ratio of for-profit providers concerns the advisory body.

Take a look at the facts and figures the Medicare Payment Advisory Commission recently put into policy and lawmakers hands to aid in decision-making about hospice reimbursement and other regulatory developments.

In its March report to Congress, MedPAC highlighted these 2020 statistics - the latest available:

- The number of hospices increased by 4.5 percent to 5,058. Those were all for-profit providers, "continuing a more than decade-long trend of substantial market entry by for-profit providers," MedPAC says in the report it sent to Congress in March. That figure is up from 3,498 in 2010.
- About 73 percent of hospices were for-profit, 24 percent were nonprofit, and 3 percent were government-owned. "Because for-profit providers tend to be smaller on average than nonprofits, for-profit providers account for about 49 percent of hospice patients, while nonprofit and government providers account for 47 percent and 4 percent, respectively," MedPAC says of the 2020 statistics.
- The share of Medicare decedents using hospice declined from 51.6 percent in 2019 to 47.8 percent. "Deaths increased more rapidly than hospice enrollments" largely due to COVID-19, MedPAC maintains. Deaths among Medicare beneficiaries increased by nearly 18 percent and the number of Medicare decedents who used hospice in their year of death increased by 9 percent to 1.31 million. "It is not unexpected that growth in deaths would outpace growth in hospice use during a pandemic," MedPAC judges.
- About 1.72 million Medicare beneficiaries received hospice services, up 6.6 percent from 2019.
- Medicare spent \$22.4 billion on hospice services, a 7.4 percent jump from 2019.
- Hospices' profit margin averaged 13.4 percent in 2019. That compares to 12.4 percent in 2018, 12.5 percent in 2017, 10.9 percent in 2016, 9.9 percent in 2015, 8.2 percent in 2014, and a 7.4 percent margin back in 2010. "Hospice profitability is closely related to length of stay. Hospices with longer stays have higher margins," MedPAC reminds.
- MedPAC estimates hospices' average profit margin in 2022 will be 13 percent.
- An estimated 19 percent of hospices exceeded the per beneficiary cap in 2019, the most recent year of data available. That's up from 16.3 percent in 2018 and 12.3 percent in 2015. Above-cap hospices generally have fewer patients per year than below-cap hospices, have longer stays and "substantially higher" rates of live discharges, and are more likely to be for-profit, freestanding, recent entrants to the Medicare program, and located in urban areas. "These length-of-stay and live discharge patterns suggest that above-cap hospices are admitting patients who do not meet the hospice eligibility criteria, which merits further investigation by OIG and CMS," MedPAC insists.



- Live discharges did fall significantly, from 17.4 percent in 2019 to 15.5 percent. The top 10 percent of providers had average live discharge rates of 43 percent, however.
- Average lifetime length of stay among decedents grew to 97.0 days, up 4.8 percent from 92.5 days in 2019. Median lifetime LOS stayed the same at 18 days.
- Average LOS was higher among Medicare decedents whose main care setting was an assisted living facility (172 days) or a nursing facility (133 days) compared with home (90 days). "In particular, hospice patients in assisted living had markedly longer stays compared with those in other settings, even for the same diagnosis, which warrants further monitoring and investigation in CMS's medical review efforts," MedPAC urges.
- Average LOS was substantially longer among for-profit hospices than among nonprofit hospices (115 days vs. 73 days).

- Nearly 22 percent, about \$4.9 billion, of spending was on additional hospice care for patients who had already received at least one year of hospice services, "i.e., already twice the presumptive eligibility period for the hospice benefit," MedPAC points out. "Although the 2016 changes to the payment structure for RHC reduced payments for long stays and increased payments for short stays to some extent, patients with long stays continue to account for a large share of hospice spending," the advisory body laments.
- » Hospice use in frontier rural areas lags that in urban areas. "If decedents in frontier areas had hospice use rates similar to decedents in urban areas, about 3,600 more frontier beneficiaries would have used hospice in 2020 (11,300 instead of 7,700)," MedPAC confirms. Travel distances may contribute to that. But rather than access problems, MedPAC suggests the lower usage "can be driven by a complex set of factors such as patient and family preferences, type of illness, and whether physicians and hospitals discuss hospice with patients. Consequently, lower use rates do not necessarily indicate lack of access to a hospice provider." Nevertheless, MedPAC does indicate it will "continue to monitor access to care in frontier and rural areas."
- Hospice use in the home was up 18 percent, in ALFs was up 11 percent, and in the hospital was up 10 percent. Meanwhile, it was down 7 percent in inpatient hospice facilities and 6 percent in SNFs.
- In-person visits fell across all disciplines during the pandemic.
- Medicare paid hospice providers about \$216 million for registered nurse and social worker visits in the last seven days of life, MedPAC estimates.
- Hospice costs per day across all levels of care and hospice providers averaged about \$149, an increase of about 0.9 percent from 2019.