

Eli's Hospice Insider

Reimbursement: 2023 Pay Increase Climbs To 3.8% - But It Should Be More

Final rule contains highest hospice pay hike since the '90s.

Hospices are getting a relatively generous pay bump starting Oct. 1, but they'll still be stretched way too thin, providers and their reps fear.

Then: In its 2023 proposed hospice payment rule issued in April, the Centers for Medicare & Medicaid Services floated a 2.7 percent increase for hospice payment rates based on an estimated 3.1 percent inpatient hospital market basket update reduced by a mandated productivity adjustment of 0.4 percent. The increase would have translated to a \$580 million pay bump in fiscal year 2023 (see Hospice Insider, Vol. 15, No. 5).



Now: In the final rule released July 27, CMS finalizes a 3.8 percent increase instead. "This is a result of the 4.1 percent market basket percentage increase reduced by a 0.3 percentage point productivity adjustment," CMS explains in its fact sheet about the rule. That will equal an estimated \$825 million increase over 2022.

CMS explains the jump in more detail in the rule published in the July 29 Federal Register. "Based on IHS Global Inc.'s (IGI) second quarter 2022 forecast with historical data through the first quarter 2022 of the inpatient hospital market basket update, the market basket percentage increase [MBI] for FY 2023 is 4.1 percent," the rule says. "The productivity adjustment for FY 2023, based on IGI's second quarter 2022 forecast, is 0.3 percent. Therefore, the hospice payment update percentage for FY 2023, based on more recent data, is 3.8 percent," the agency calculates.

"We continue to believe it is appropriate to routinely update the hospice payment system so that it reflects the best available data about differences in patient resource use and costs among hospices as required by the statute," CMS adds.

In a normal year, a 3.8 percent hike would have hospice providers and their representatives jumping for joy. And industry reps do praise the change. "The 3.8 percent update will be helpful in addressing the financial pressures hospices are experiencing," allows National Association for Home Care & Hospice President **William Dombi** in prepared remarks shared with AAPC.

"Today is a step in the right direction to meet the needs of our hospice and palliative care providers," **Ben Marcantonio**, Interim President and CEO of the National Hospice and Palliative Care Organization, acknowledges in a release.

"It's positive to see the payment update percentage coming in at 3.8 percent compared to the proposed 2.7 percent," says reimbursement expert **M. Aaron Little** with FORVIS in Springfield, Missouri. "With staffing shortages and rising inflation, every possible increase in payment rates is welcome by providers to apply to rising costs," Little tells AAPC.

But hospices need more, reps insist. "We have continuing concerns that [the increase] will not fully address current cost inflation," Dombi says. NAHC "will seek support for further increases that would cover the increasing labor and other costs affecting hospice providers," he continues.

"The CMS rates for FY23 still do not accurately reflect the reality of higher gas prices, unrelenting labor shortages, and additional pandemic-related expenses that hospice providers and programs are facing across the country," Marcantonio stresses. "We call on the **Biden** administration and Congress to step in to provide additional reimbursements in 2023 which accurately reflect the unprecedented demands and costs providers are facing in order to ensure long-term viability for the hospice and palliative care that Americans want and deserve," he pledges.

CMS does admit in the rule that it "agree[s] with the [proposed rule] commenters that recent higher inflationary trends have impacted the outlook for price growth over the next several quarters." But using the IGI's historical data through the first quarter of 2022 should do the trick for compensating for those trends, CMS says.

CMS does point out in the rule that "the last time a final hospital MB was this high goes back to FY1998," NAHC's **Theresa Forster** tells AAPC.

CMS rebuffs a commenter's suggestion to "consider updating the base year for the hospital IPPS market basket from the current base year of 2018 to a more current base year" because "it should be clear that providers' cost structures have changed since 2018, including changes in operations that have been required as a result of the COVID-19 PHE."

Hospital cost report data before 2021 are "incomplete at this time," CMS points out. Earlier cost report data doesn't show big changes, the agency notes. "We continue to believe it is premature at this time to use more recent MCR data to derive a rebased and revised IPPS market basket," the rule concludes.

The 3.8 percent increase also applies to the hospice cap amount, which CMS increases to \$32,486.92 for FY 2023. That's up from \$31,297.61 this year. (See payment rates by service level in chart below)

Note: A link to the rule is at [federalregister.gov/d/2022-16214](https://www.federalregister.gov/d/2022-16214).

2023 Final Hospice Payment Rates* (Effective 10/1/22)				
Code	Description	Final 2022 Rate	Proposed 2023 Rate	Final 2023 Rate
651	Routine Home Care (Days 1-60)	\$203.40	\$209.14	\$211.34
651	Routine Home Care (Days 61+)	\$160.74	\$165.25	\$167.00
652	Continuous Home Care Full Rate = 24 hours of care = hourly rate	\$1,462.52 (\$60.94 per hour)	\$1,505.61 (\$62.73 per hour)	\$1,522.04 (\$63.42 per hour)
655	Inpatient Respite Care	\$473.75	\$486.88	\$492.10
656	General Inpatient Care	\$1,068.28	\$1,098.88	\$1,110.76

* Rates reduced 2 percent for not submitting required quality data. Source: 2022 final rule at www.govinfo.gov/content/pkg/FR-2021-08-04/pdf/2021-16311.pdf, 2023 proposed rule at <https://public-inspection.federalregister.gov/2022-07030.pdf>, 2023 final rule at <https://public-inspection.federalregister.gov/2022-16214.pdf>.

