Eli's Hospice Insider

Reimbursement: Another Year, Another MedPAC Recommendation For A Rate Freeze, 20% Cap

A lower average profit margin doesn't change the pending advice to Congress.

Even in the wake of a pandemic, hospices should still see less payment than scheduled, according to an advisory body to Congress.

Hospices had an average Medicare profit margin of 12.4 percent in 2018, the latest year for which figures are available, Medicare Payment Advisory Commission staffer **Kim Neuman** noted in the commission's Dec. 3 meeting. That's down from 12.6 percent in 2017.

MedPAC estimates hospices' margin will remain at a relatively high 12 percent in 2021, Neuman added.

In 2019, more than 4,800 hospices furnished care to 1.6 million beneficiaries. Medicare spent $20.9 billion on hospice services, according to MedPAC analysis.

Average length of stay increased from 90.3 days in 2018 to 92.6 days in 2019. And that's potentially bad because as hospices' average LOS goes up, so does their profit margin.

To combat high profit margins and lengthening LOS, MedPAC wants Congress to cut the aggregate cap amount by 20 percent, commissioners preliminarily agreed in the meeting. The cap is currently set at $30,683.93 for 2021.

"Our simulation of this cap policy using historic 2018 data suggests it might reduce aggregate payments by about 3 percent," Neuman told commissioners. "It would do so by reducing payments to providers with disproportionately long stays and high margins, while payments to the majority of providers would be unaffected."

In 2018, 16.3 percent of hospices exceeded the cap. Their average profit margin was 21.9 percent before the cap and 12.1 percent "after return of cap overage," Neuman's presentation indicates.

"Hospice aggregate payments exceed the level needed to furnish high-quality care," Neuman contended.

"Hospice is a valuable service for beneficiaries, but being high value is not a rationale for excessive payments," Neuman said. The hospice cap reduction "provides an opportunity to focus payment reductions on a subset of providers with high margins and disproportionately long stays," she added.

Meanwhile, for all hospices, rates would stay level for 2021 under a freeze.

Commissioners seemed to be fans of avoiding across-the-board cuts. "The core problem … is we want a scalpel, and we're working with a sledgehammer," said MedPAC Chair **Michael Chernew**, a health care policy professor at Harvard Medical School.

"I like the really surgical approaches to trying to manage payments in hospice, as opposed to raising or shrinking the entire payment area," said commissioner **Brian DeBusk**, CEO of health IT company DeRoyal Industries in Powell, Tennessee.

Reducing caps could come at a cost, though, one commissioner pointed out. "I like the idea of reducing the caps, but I do wonder if that has any dampening effect on enrollment," said **Jaewon Ryu**, CEO for Geisinger Health System based in Danville, Pennsylvania. "Is it likely to dampen enrollment and who would it dampen that enrollment with?" Ryu asked. "Hospice enrollment tends to happen later than we'd ideally like, and I wonder if the caps could inadvertently push that even later," he added. "We need to keep our eyes on that."

Commissioners should be thinking of home health and hospice as "preventive of the hospitalization," offered commissioner **Jonathan Perlin**, chief medical officer of HCA Healthcare in Nashville, Tennessee. "We need to think of this more holistically."

Reduced Cap Will Equal Reduced Access

Industry representatives are quick to rebut the pending recommendations.

The National Hospice and Palliative Care Organization is "concerned about the unintended consequences of the recommendation to reduce the aggregate cap," it says in a release. It could harm access and quality of care, NHPCO warns.

While MedPAC is characterizing the cap reduction as targeted, "this approach appears overly broad, especially in light of the strain put on providers by the COVID-19 pandemic," NHPCO CEO **Edo Banach** stresses in the release. It could especially impact access in rural and underserved areas, Banach cautions.

"We disagree that these actions are warranted," National Association for Home Care & Hospice President **William Dombi** tells AAPC. In particular, "the recommendation to reduce the annual cap will have the natural and foreseeable effect of creating roadblocks to hospice care for non-cancer patients that bring up the average length of stay and create cap risk," Dombi warns.

Next: MedPAC commissioners will officially vote on the recommendations at their January meeting. The hospice measures are expected to be approved. MedPAC will issue a March report to Congress with its advice.