

Eli's Hospice Insider

Reimbursement: Budget Ax Poised Over Hospices' Necks For 2013

MedPAC commissioners take aim at long stays.

You'll have a new hospice quality reporting requirement to deal with next year, but less money to do so if MedPAC gets its way.

In its Jan. 12 meeting, the **Medicare Payment Advisory Commission** voted to recommend to Congress a 0.5 increase to hospices' payment update in 2013. But combined with the fourth year of the budget neutrality adjustment factor (BNAF) phase-out -- a 0.6 percent cut -- hospice reimbursement rates would actually fall 0.1 percent next year under the proposal, points out the **National Association for Home Care & Hospice**.

To make their decision, the influential MedPAC commissioners looked at statistics including hospices' average profit margins. For the last year with complete data, 2009, hospices generated a 7.1 percent margin -- up from an average 5.1 percent margin in 2008, MedPAC staff **Kim Neuman** explained in the meeting. However, MedPAC expects the margin to drop back down to 5.1 percent again in 2012, Neuman added.

In MedPAC's December meeting, commissioners seemed to agree that a 5 percent margin was not excessive. The figure compares to a 19.4 percent average margin for home health agencies in 2010, for example.

But, like HHAs, hospices are seeing a wide variation in profit margins. At the 25th percentile, hospices saw a negative 13.7 percent margin, Neuman noted in the December meeting. The median profit margin was 5.3 percent and the 75th percentile is 20.2 percent.

"The product is so amorphous in various ways," lamented commissioner **Michael Chernew**, a health care policy professor at **Harvard Medical School**, in the December meeting.

Commissioners were also concerned about rising hospice utilization. On one hand, they are happy to see the benefit helping more Medicare beneficiaries. "I'm glad to see that the utilization of hospice services is going up," said commissioner **Scott Armstrong**, CEO of insurance system **Group Health Cooperative**, in the January meeting. "Our investment in hospice services is an incredible value for our beneficiaries," Armstrong said in December.

Stats: The percent of Medicare decedants using hospice has grown from 23 percent in 2000 to 44 percent in 2010, Neuman pointed out. The number of hospice users grew from 513,000 in 2000 to nearly 1.2 million in the same time period.

SNFs, Long Stays MedPAC Targets

In addition to for-profit status (see sidebar, p. 17), a few other characteristics of hospices drew commissioners' disapproval. Chief among them was furnishing hospice services to nursing home residents. Multiple commissioners voiced support for a recommendation from the **HHS Office of Inspector General's** recent report on the issue: reducing hospice payment rates for nursing home patients (see Eli's Hospice Insider, Vol. 4, No. 9).

Only 6 percent of nursing home residents receive hospice, though, noted MedPAC staffer **Carol Carter** in a separate session regarding nursing home payment adequacy.

Commissioners also hammered hospices that exceed their per beneficiary caps. But they also lambasted hospices that discharge patients to avoid exceeding the caps.

And commissioners were concerned about climbing lengths of stay. They wondered whether the increase is due to more

non-cancer patient admissions, but Neuman explained that LOS had increased across all diagnosis categories.

Also, the jury was still out on whether hospice really saves the Medicare program money, despite numerous studies supporting that fact. The cost savings for cancer patients is clear, but the data is less conclusive for diagnoses like debility or neuro conditions, Neuman claimed.

"We obviously have a love-hate relationship with hospice," said commissioner **Peter Butler**, COO of **Rush University Medical Center** in Chicago. "We can't imagine a more humane benefit that you want to offer, yet it's not quite what we thought," Butler said in the December meeting.

"I just have a particular concern that we be on the side of the angels in making sure that this program operates successfully," commissioner **Bill Gradison Jr.**, a former member of Congress, said in the December meeting.

In addition to the payment update recommendation, commissioners voted to repeat two of MedPAC's hospice recommendations from last year. Congress should reform hospice payment to pay more at the beginning and end of care and less in the middle. And Congress should require focused medical review of long-stay patients, MedPAC's March report to Congress will state.