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Eli's Hospice Insider

Reimbursement: CMS Dials Back Hospice Pay Increase For Next Year

Rebasing cuts could be in your future.

You'll have more quality and other regulatory requirements in Fiscal Year 2018, but less additional money to tackle them, if the 2018 proposed rule for hospice payment is finalized as-is.

The **Centers for Medicare & Medicaid Services** floats a 1 percent payment increase for fiscal year 2018, which starts Oct. 1, the agency says in the rule released April 27. (For specific service rates, see chart p. 43.)

The rate hike will produce a projected $180 million increase over this year's hospice spending, CMS notes in a fact sheet about the rule. But the bump is less than half of the 2.1 percent rise hospices saw last year (see Eli's Hospice Insider, Vol. 9, No. 9).

The cap amount will be $28,689.04, up from the 2017 cap amount of $28,404.99.

You can thank the Medicare Access and CHIP Reauthorization Act of 2015 for the low rate of increase, notes **Judi Lund Person** with the **National Hospice & Palliative Care Organization**. MACRA, which revamped how Medicare pays physicians, required a reimbursement boost of 1 percent or less for hospices, home health agencies, skilled nursing facilities, long-term care hospitals, and inpatient rehab facilities.

The low increase "definitely creates a financial challenge for hospice providers," says **Theresa Forster** with the **National Association for Home Care & Hospice**. "For the last two years the Medicare Payment Advisory Commission has noted that regulatory burdens on hospice providers are higher than usual, and we've had several years of substantial cuts."

If not for the MACRA limitation used to fund the physician payment changes, hospices would have received a pay increase of about 2.2 percent, notes consulting firm **The Health Group** in Morgantown, W. Va., in analysis of the rule.

"We're very concerned for hospice providers," Forster tells **Eli**.

Expect Rebalancing at Best, Rebasing Cuts at Worst

A year of a reduced payment update isn't great, but something much worse could be coming down the pike for hospices actual cuts based on their reported costs.

Reminder: CMS revised the freestanding hospice cost report form for freestanding cost reporting periods beginning on or after Oct. 1, 2014. The agency aimed "to improve data collection on the costs of providing hospice care," notes the proposed rule for 2018 hospice payment published in the May 3 Federal Register.

CMS analyzed data from 2,675 FY 2015 cost reports to estimate per-day hospice costs, the rule details. "There is substantial variation in the reported cost per day by hospices," the agency acknowledges.

Despite that wide range, "we compared the reported costs on the Medicare cost report to the FY 2015 per diem payment rates by level of care," the agency notes. The findings:

- Routine Home Care: Reported cost $125 (median) and $123 (mean) versus payment rate of $159.34.
- Continuous Home Care: Reported cost hourly $51(median) and $49 (mean) versus $38.75 payment rate.
- Inpatient Respite Care: Reported cost $343 (median) and $467 (mean) versus $164.81 payment rate.
- General Inpatient Care: Reported cost $879 (median) and $792 (mean) versus $708.77 payment rate.

The RHC rate is particularly important because it accounts for more than 98 percent of hospice days, CMS stresses in the rule. In contrast, CHC makes up 0.3 percent and GIP 1.4 percent.

The large disparity between reported costs for RHC and the payment rate could bode very ill for hospices, experts warn. This analysis is an "area of concern," Forster emphasizes.

Best case: Because "initial analysis shows costs for RHC significantly below the payment rate ... CMS could at some point consider rebalancing payments by level of care," Forster expects.

Worst case: For HHAs, CMS has been repeatedly ratcheting down payment rates due to "rebasing," leading to payment cuts instead of just lower rates of increase. CMS may take a page from the HHA playbook and do the same for hospices, Forster says.

Hospices have slimmer profit margins than HHAs and thus less ability to absorb potential rebasing losses, industry veterans fear.

CMS using hospice cost reports to rebase rates is "scary," laments cost report expert **Pat Laff** with **Laff Associates** in Hilton Head Island, S.C. Among the many problems are that agencies are looking at their costs per day or per episode, and not per units of service, Laff adds.

Hospices also must encourage more communication between their clinical and financial sides to manage and report costs effectively, Laff urges.

But at least CMS doesn't appear ready to brandish its budget ax quite yet.

"We recognize that this is the first period in which hospices have supplied cost formation on the revised cost report," CMS acknowledges in the proposed rule. Thus the agency "expect[s] that some of the early trends may be the result of hospices learning how to accurately report this information."

Put A Pin In Rebasing

It's just too early to make the call, CMS continues. "Any interpretations regarding the overall alignment between costs and payment would likely be premature given the newness of the data."

Also, its "preliminary analysis" left out potential mitigating factors, "such as the exclusion of providers surpassing the hospice inpatient and aggregate caps as well as the application of a more robust trimming process to the cost report dataset," CMS admits.

Watch out: However, CMS does "plan to conduct more thorough analyses of the cost report data and fully assess Medicare-related hospice costs as compared with Medicare hospice payments by level of care" going forward, it pledges. Thus, "we encourage hospices to continue to submit the most accurate data possible on Medicare cost reports."

Thanks to CMS's ongoing scrutiny of costs versus payments, "it is very important that hospices pay close attention to accurately reporting their costs via the cost report," Forster urges.

And cost responsibilities aren't limited to the cost report. Hospices need to worry about reporting costs via claims too, "as the costs/charges they are reporting may help to dictate future payments," Forster cautions.

Bottom line: "The cost report is more important than ever," The Health Group stresses.

Note: See the final rule at www.gpo.gov/fdsys/pkg/FR-2017-05-03/pdf/2017-08563.pdf.