

Eli's Hospice Insider

Reimbursement: Hospice Payment Rates To Increase 2.5% In October

Plus: Soon you'll need to make your hospice cap calculation decision.

Hospices will have a little more Medicare money to tackle their regulatory challenges in the coming year.

Medicare will increase payment rates to hospices by 2.5 percent for the 2012 fiscal year starting Oct. 1, the **Centers for Medicare & Medicaid Services** says in the hospice wage index final rule published in the Aug. 4 Federal Register. That's up slightly from the 2.3 percent increase CMS predicted in the proposed rule back in May (see Eli's Vol. 4, No. 6, p. 33).

CMS arrives at the 2.5 percent mark by subtracting the 0.5 percent Budget Neutrality Adjustment Factor (BNAF) from the 3.0 percent inflation figure, CMS explains in a release. The BNAF cut is in the third year of its seven-year implementation.

The reduction to the inflation update will strip an estimated \$80 million from Medicare hospice spending in 2012, CMS notes in the rule.

"CMS ignored opposition to the reductions of payments resulting from its continued phase-out of the Budget Neutrality Adjustment Factor (BNAF)," observes the **Visiting Nurse Associations of America**. Under this rule, 40 percent of the BNAF phase-out will be complete in FY 2012.

CMS did provide some good clarifications on how the BNAF and market basket inflation update interact, notes **Judi Lund Person** with the **National Hospice and Palliative Care Organization**. That has been "a source of confusion to providers," Person says.

Remember: "The actual increase for a specific hospice may vary from the average depending on the wage index for the geographic area(s) served," the **National Association for Home Care & Hospice** tells its members. (For non-wage-adjusted payment rates, see chart below.) Overall, the final rule contains "no great surprises," VNAA notes. CMS is finalizing most provisions as proposed. (For information on the rule's quality reporting provision, see related story, p. 59).

Meanwhile: CMS has set the cap amount for the year ending Oct. 31, 2011, at \$24,527.69, the agency says in July 29 Transmittal No. 2260 (CR 7518). As proposed, CMS will switch hospices to a different cap calculation methodology under which beneficiaries are counted proportionately in the years they receive services. But hospices can also elect to keep the current "streamlined" cap calculation methodology under a grandfathering clause. The grandfathering provision applies only when hospices have already had their caps calculated this way, not for new hospices, CMS notes.

Tip: "Agencies that elect grandfathering can subsequently exercise the option to move to the [proportional method] so there seems little downside to electing to stay on SM at this time," VNAA points out. The new methodology will take effect for cap years ending on or after Oct. 1, 2012.

Also: "We are pleased that CMS responded to the NHPCO requests for the clarification on the reopening timeframes," Person tells **Eli**. "CMS stated that the cap determination letter is limited to a three-year timeframe for reopening, unless fraud is suspected, where the reopening is unlimited."

