

## Eli's Hospice Insider

### Reimbursement: MedPAC Pushes For Hospice Pay Cut

**Commission's 0% recommendation for 2017 illustrates cost reports' importance.**

In addition to payment reform's individual impacts, hospices are likely going to have to contend with less reimbursement overall in 2017. In its December meeting, **Medicare Payment Advisory Commission** members agreed to include a recommendation that Medicare give no payment increase to hospices in fiscal year 2017, which starts in October 2016. MedPAC will take a final vote at its January meeting and include its final recommendation in its annual March report to Congress. The recommendations are merely suggestions, but lawmakers looking to find budget savings often heed the Commission's guidance.

A 0 percent update has become par for the course in the home health agency world, but it's unusual on the hospice side. MedPAC staff reviewed a number of statistics supporting the recommendation, including an 8.6 percent profit margin (and 12 percent "marginal profit") for hospices in 2013, a marked increase in the number of for-profit hospices, and increases in live discharges and lengths of stay.

**Prediction:** MedPAC forecasts a 7.7 percent average margin in 2016, MedPAC's **Kim Neuman** said in the Dec. 10 meeting.

"Given the margin in the industry and our other payment adequacy indicators, we anticipate that providers can cover cost increases in 2017 without any increase in their payment rates," Neuman concluded at the meeting. "This draft recommendation would be expected to have no adverse impact on beneficiaries nor providers in terms of their ability or willingness to care for Medicare beneficiaries."

At least Commissioners didn't appear to want to curb rising hospice utilization. "It's nice to see that more Medicare beneficiaries are using the hospice benefit," commented Commissioner **Rita Redberg**, a physician with the **University of California at San Francisco Medical Center**.

Commissioners did bring up the issue of reducing reimbursement for hospice patients in nursing homes, but the subject was tabled for a later date.

#### Cost Report Devils Are In The Details

Unfortunately, hospices' own cost reports were major contributors to the Commission's recommendation, believes **The Health Group** in Morgantown, W. Va. "It is our opinion that the financial results (margins and 'Marginal Profit Rate') represent a significant influence," the consulting group says in its newsletter.

**Problem:** The cost reports MedPAC used don't include non-reimbursable but required costs like bereavement care, The Health Group points out.

**Response:** Including such costs "would reduce our margin estimates by at most 1.7 percentage points," Neuman said in the meeting.

Accuracy problems with cost reports may get worse with the new report, which applies to periods beginning Oct. 1, 2014

and later. The new methodology requires "segregation of all marketing costs into a 'Non-reimbursable' cost center and reporting costs by level of care," The Health Group points out.

**Critical:** "It is imperative that cost report preparers focus on not only completing the report but also assessing the reasonableness and quality of the costs reported, i.e. cost by level of care," The Health Group urges. "The entire industry is impacted by the quality of each report submitted".