

Eli's Hospice Insider

Reimbursement: Payment Reform Proposal Takes Hospices By Surprise

More complex methodologies discarded.

If Medicare's hospice payment reform isn't what you were expecting, you're not the only one.

"This legislation emerged largely in response to [the **Medicare Payment Advisory Commission's**] March 2009 Report to Congress, which cited rapid growth of for-profit hospices and longer lengths of stay that raised concerns regarding a per diem payment structure that encouraged inappropriate utilization of the benefit," the **Centers for Medicare & Medicaid Services** notes in its 2016 proposed payment rule published in the May 5 Federal Register.

Hospices thought CMS might actually implement reform before 2016, since the Affordable Care Act of 2010 authorized the agency to do so as early as 2013. But CMS has bided its time as it ramped up data collection to inform payment reform efforts.

CMS has long discussed more wholesale reform, resulting in a J-, U-shaped or tiered payment model (increased pay at the beginning and/or end of life). MedPAC endorsed the U-shaped methodology.

As recently as January, CMS floated a complex new system with 7 payment tiers for RHC alone (see Eli's Hospice Insider, Vol. 8, No. 3). But in the end, a need for minimal claims processing changes won out over a more targeted methodology.

CMS considered a more complicated model referenced in last year's payment rule "in order to better align payments with observed resource use over the length of a hospice stay," it reveals in the rule. "However, operational concerns and programmatic complexity led us to explore the concept of a SAI that could be implemented with minimal systems changes that limit reprocessing of hospice claims due to sequential billing requirements."

Surprise: The proposed system is "a different methodology than we have seen before and we are still analyzing its impact," says **Judi Lund Person** with the **National Hospice & Palliative Care Organization**.

"Previous information and data released by CMS about its work on payment reform had focused almost exclusively on development of a tiered payment system for RHC and only hinted at the type of approach now being proposed," notes the **National Association for Home Care & Hospice** in a release. "These changes will have far-reaching effects on hospice care and hospice operations, so we need to conduct in-depth analysis to ensure that this first step does not result in negative consequences that could reduce hospices' ability to deliver comprehensive, high-quality care," **Denise Schrader**, Chair of the NAHC Board of Directors, says in the release.

Of particular concern is the SIA, which aims "to support the very resource-intensive care provided to patients and families at the end of life," Schrader adds. "We have concerns about the adequacy of this add-on, and further concerns that CMS would not allow this adjustment for patients residing in nursing facilities. We must ensure that any payment system changes do not deny these patients equal access to needed services based on their place of residence."

Another concern: In CMS's May 6 Open Door Forum for hospice providers, **Jennifer Handel** of **Hospice of Michigan** asked whether hospices and their software vendors would have enough time to implement the billing and other changes required in the 2016 rule. There could be a relatively short window between the final rule's issuance, expected in late July or August, and the Oct. 1 effective date.

Hospices and vendors should be able to get ready in that time, maintained CMS's **Wendy Tucker** in the call. CMS notes in the rule that the payment methodology revamp doesn't actually change billing all that much.

One point: The claims system will automatically pay hospices for SN and SW visits reported during the last seven days

of the episode, Tucker explained to another caller. Hospices won't have to bill them to receive payment.

Nevertheless, NHPCO urges CMS to consider a demonstration or pilot to test any new payment methodology. "Whether or not the proposed payment structure changes are determined to be beneficial or detrimental, the hospice community continues to believe that a time-limited demo or pilot of the proposed payment structure changes is a reasonable and responsible course of action," the trade group says in a release. "The hospice community, as well as both CMS and the Medicare Administrative Contractors, need time for preparation and testing to assure themselves that the requisite infrastructure and information systems are in place to effectively and efficiently implement whatever the final payment structure might be," says NHPCO head **J. Donald Schumacher**.

While the format of the payment system change surprised many hospices, the fact that it was coming did not. CMS has been discussing changes for years, notes financial advisory firm **Precipio Health Strategies**. CMS has been actively holding Technical Expert Panels and has issued two reports on possible reform. "Changes to hospice payment in Medicare were inevitable," the firm says