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Eli's Hospice Insider

TRENDS: MedPAC Pushes Major Hospice Pay Revamp

Industry unhappy about proposal for abrupt change.

The Medicare Payment Advisory Commission's newest recommendations take aim at curbing long hospice stays, and, if adopted, some hospices might be packing up and shutting down.

The hospice benefit's startling growth since 2000, especially in the forprofit provider segment, has the influential advisory body to Congress worried about unnecessary expenditures for the industry. The current system, which pays hospices a flat per day rate for the entire hospice period, encourages unnecessary long-stay patients, MedPAC argued in its Jan. 9 meeting in Washington, D.C. Unscrupulous providers can make a hefty profit on those middle of stay days that are paid fully but require fewer resources, said MedPAC staffer **Jim Mathews**.

"There are very bad actors" in the hospice industry, contended Commissioner **George Miller** in the meeting. "I'm concerned," said Miller, who runs a health system in Ohio.

Recommendation: In a measure MedPAC approved for its March report to Congress, the commission advises revamping the hospice benefit to pay relatively more for the beginning and ending days of a hospice episode and less for the middle days. The change should be budget neutral in its first year and should be fully implemented by 2013, MedPAC will say in the report.

Clarification: The change wouldn't affect hospice inpatient reimbursement rates, Mathews said. And it would assign the same rates for the beginning and ending days of the hospice episode.

MedPAC stopped short of recommending exact levels for the higher and lower payment rates. That will be up to the Centers for Medicare & Medicaid Services to determine basedon data analysis, Mathews said.

Thus, the impact on the industry will vary depending on the levels at which CMS would set final rates. However, in general, hospices with a larger proportion of long-stay patients would see payment reductions while those with more short-stay patients would see payment increases.

Small hospices with a high longstay patient population might have to consolidate for survival or close their doors altogether, Mathews predicted.

Examples: In scenarios MedPAC ran, the group of hospices with the least amount of long-stay patients would see a 24 percent increase in payment while those with the most would see a 10 percent reduction, Mathews reported. Urban hospices would see a slight decrease in payments while rural hospices would see up to a 2.8 percent increase. Payments to provider-based hospices could increase up to 11 percent and to nonprofits could increase up to 4.1 percent. But you can't make categorybased generalizations, Mathews said.

"The reductions or increases within each category vary as a function of length of stay," he stressed.

For example, "for-profit hospices with shorter stays will actually gain under the new system."

MedPAC claimed it has "broad support for this recommendation across the industry." But industry representatives aren't rushing to endorse the paradigm shift.

The idea of adjusting payments to reflect the hospice episode cost curve "has merit," admits a consensus statement from six end-of-life organizations:the American Academy of Hospice and Palliative Medicine,Hospice and Palliative Nurses Association, National Association for Home Care & Hospice, National Hospice and Palliative Care Organization, National

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Hospice Work Group, and Visiting Nurse Associations of America. But "there are key issues in developing such a design that need to be substantiated and tested against comprehensive and broad-based data," the coalition maintains. "Only after such data is collected, analyzed, and understood, can it serve as the basis for rational and appropriate payment reform."

Too fast: "There is inadequate information to implement broad changes in the model without a concurrent strategy to reduce the risk that access to hospice care by eligible patients is limited," adds AAHPM in a message to members.

Payment System Change Would Reduce Hospice Spending

Some MedPAC commissioners, however, made just the opposite argument in the meeting. Given the apparent gaming over long-stay patients going on in the system and hospice providers' healthy profit margins, the Commission should urge even quicker implementation of the recommendation, they said.

And it should consider reducing payments overall instead of making the measure budget neutral, some commissioners added. "The margins ... look relatively high compared with some other segments," noted Commissioner **Francis Crosson**, a physician who is the associate executive director of the Permanente Medical Group. "What is the rationale for choosing budget neutral?"

Although the measure would initially be budget neutral, it would end up reducing hospice spending overtime, the Congressional Budget Office said in an informal scoring of the recommendation, Mathews pointed out.

While some commissioners were eager to chop hospice payments, others were worried about access problems and other negative consequences. You don't want to encourage overutilization, but you don't want to encourage care stinting either, pointed out Commissioner **Bill Scanlon,** former head of the Government Accountability Office.

Considering that the hospice benefit actually saves the Medicare program money overall, too-short stays may be a bigger problem than toolong stays, pointed out Commissioner **Ronald Castellanos**, a urologist.The new system might give incentives for shorter stays, worried Commissioner **Nancy Kane** with the Harvard School of Public Health. "I am very concerned" that the system would encourage days- or week-long stays "instead of achieving what we really would like to see, which is a dignified, home-based, end-of-life experience."

"There are some bad actors out there, but the majority of what's being done by hospice is excellent care," Castellanos added. "We don't want to throw that baby out with the bathwater."Hospices "provide a tremendous service to this community."

What's ahead: MedPAC made clear that approval of this recommendation did not mean it would leave hospice payments alone until 2013. The Commission would reserve the right to recommend rate reductions in the intervening years. Once MedPAC includes the recommendation in its March report to Congress, lawmakers will have to decide whether to take its advice. With the harsh economic climate and the Obama administration's stated goal of reining in Medicare spending, they could be all too willing to do so, industry reps worry.

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