

Assessing payment adequacy and updating payments: Hospice services

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Presentation roadmap

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Overview: Hospice benefit

- Palliative and supportive services for beneficiaries with terminal illnesses who choose to enroll
- Eligibility criteria:
 - Life expectancy of 6 months or less if disease runs its normal course
 - Physician(s) certifies prognosis at outset of each hospice benefit period: Two 90-day periods, then an unlimited number of 60-day periods
- Beneficiary agrees to forgo conventional care for the terminal condition and related conditions
- Hospice benefit is carved out of MA and paid by FFS*

Note: MA (Medicare Advantage), FFS (fee-for-service).

* Under the hospice benefit component of the CMS Innovation Center's value-based insurance design model, some MA plans have been responsible for the provision of hospice care to their enrollees. A CMS evaluation report indicates about 20,000 beneficiaries received hospice through their MA plan in 2022. See <https://www.cms.gov/priorities/innovation/data-and-reports/2023/vbid-2nd-eval-report>. The model, which has been in effect since 2021, concludes in 2024.

Overview: Hospice payment system

- Medicare FFS pays a daily rate for hospice
 - Regardless of whether hospice furnishes services on a given day
- Four levels of care:
 - RHC (~99% of days): \$225/day (Days 1-60); \$177/day (Days 61+)
 - Three other levels of care are paid a higher daily rate
- Hospice cap: If FY 2025 total payments > \$34,465 × number of patients, then hospice must pay back the overage to Medicare

Note: FFS (fee-for-service), RHC (routine home care), FY (fiscal year).

Overview of hospice use and spending, 2023



Hospice providers

Over 6,500



Patients

1.7 million beneficiaries
Nearly 52% of decedents



Services

138 million hospice days
3.9 visits per week on average



Payments for services

\$25.7 billion

Note: "Visits per week on average" is calculated using data for beneficiaries receiving hospice routine home care.
Source: MedPAC analysis of Medicare hospice claims and CME enrollment file from CMS.

Payment adequacy framework: Hospice



Beneficiaries' access to care

- Supply of providers
- Hospice use, length of stay, visits
- FFS Medicare marginal profit



Quality of care

- CAHPS® survey
- Composite process measure
- Visits at the end of life



Access to capital

- Provider entry
- Financial reports and mergers and acquisitions



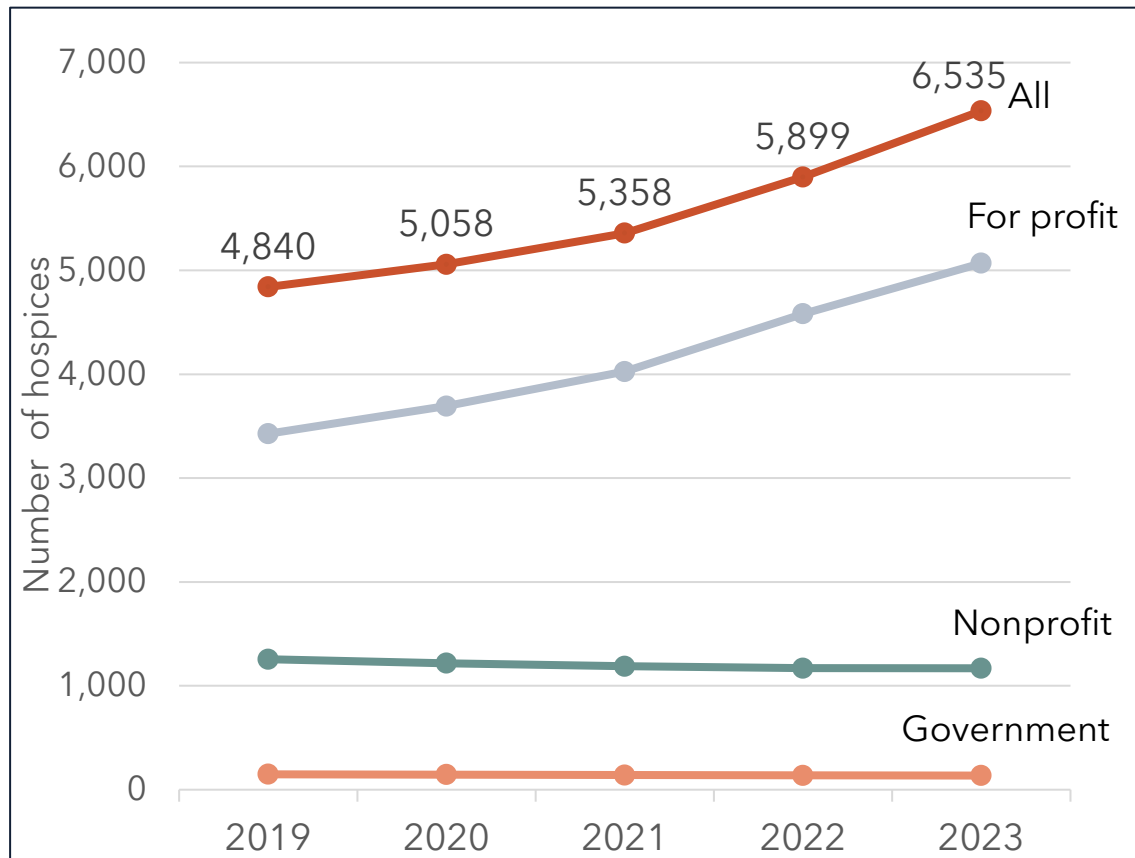
FFS Medicare payments and costs

- 2022 FFS Medicare margin
- 2025 projected FFS Medicare margin

Update recommendation for hospice base rates

Note: FFS (fee-for-service), Consumer Assessment of Healthcare Providers and Systems® (CAHPS®).

Access: Supply of hospices increased substantially in 2023, driven by entry of for-profit providers



Note: Includes all hospices that submitted at least one paid claim in the year.

Source: MedPAC analysis of Medicare hospice claims, cost reports, and Provider of Service file from CMS.

- Over 10% increase in number of hospices in 2023
- Driven by:
 - Entry of for-profit providers
 - Substantial entry in certain states (e.g., Arizona, California, Georgia, Nevada, and Texas)

Access: Share of decedents using hospice increased in 2023

- Share of decedents using hospice in 2023: 51.7%
 - Increase of 2.6 percentage points from prior year
 - Similar to prepandemic high (51.6% in 2019)
- Hospice use among decedents increased in 2023 for all subgroups examined (age, gender, race/ethnicity, FFS/MA, rural/urban, dual eligibility for Medicare and Medicaid, ESRD status)

Note: FFS (fee-for-service), MA (Medicare Advantage), ESRD (end-stage renal disease).
Source: MedPAC analysis of data from the CME enrollment file from CMS.

Access: Indicators of access to hospice care were positive in 2023

Utilization increased

- Share of decedents using hospice: +2.6 percentage points
- Number of hospice users: +1.3%
- Total number of hospice days: +5.7%

Length of stay increased

- Average LOS (among decedents): +1 day to 96.2 days
- Median LOS: Stable at 18 days

Number of visits was stable

- Average of 3.9 visits per week: +1% from prior year but below 2019 level

Note: LOS (length of stay). "Length of stay" reflects the total number of days the decedent was enrolled in the Medicare hospice benefit during their lifetime.
Source: MedPAC analysis of Medicare hospice claims and CME enrollment file from CMS.

Access: Hospices have a strong financial incentive to serve beneficiaries



FFS Medicare marginal profit, 2022

Note: FFS (fee-for-service).
Source: MedPAC analysis of Medicare hospice claims and cost reports from CMS.

Quality: Indicators were stable in 2023

CAHPS® scores were stable

- 7 measures were unchanged
- 1 measure declined 1 percentage point

Processes of care at admission increased

- Composite measure of 7 processes of care increased slightly but was topped out for most providers

Number of end-of-life visits were stable

- Number of nurse and social worker visits in last week of life was stable or increased slightly
- Nurse visit frequency remained below 2019 level

Note: CAHPS® (Consumer Assessment of Healthcare Providers and Systems®).

Source: MedPAC analysis of CAHPS®, Hospice Item Set, hospice claims, and CME enrollment file data from CMS.

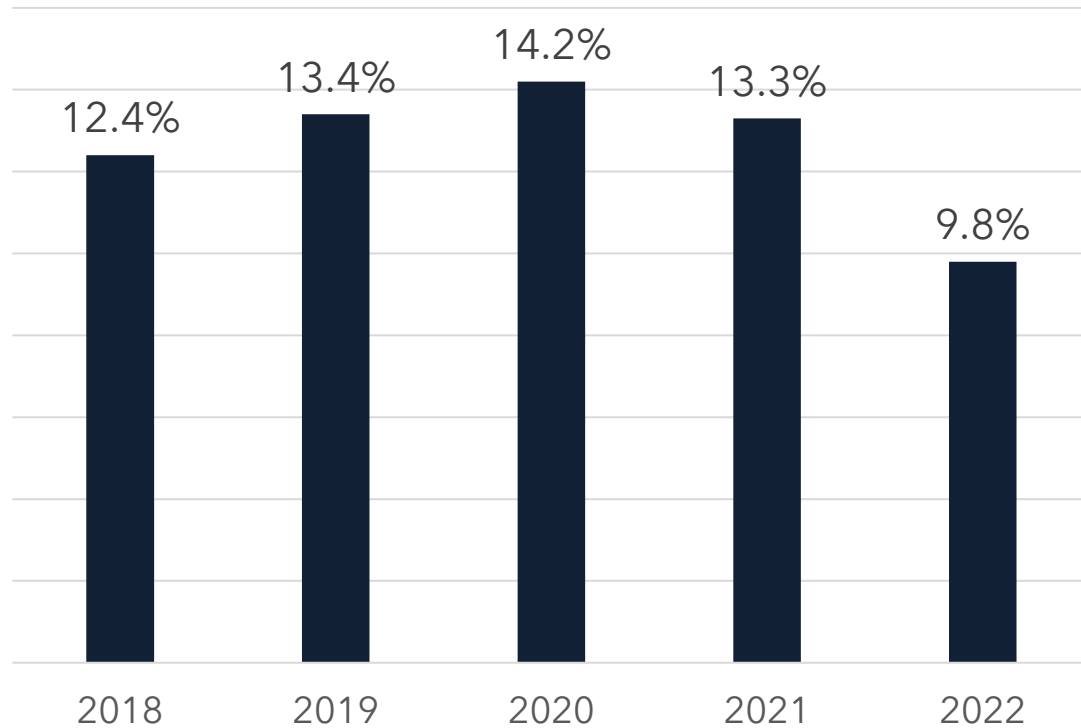
Capital: Access to capital remains positive

- Hospice is less capital intensive than some provider types
- Substantial growth in the number of for-profit providers
- Publicly traded hospices: Generally strong financial performance
- Slower M&A activity in last few years, but financial analysts report sector is viewed favorably by investors
- Less information available on nonprofit freestanding providers
- Provider-based hospices access capital through their parent provider

Note: M&A (mergers and acquisitions).

Payments and costs: Aggregate FFS Medicare margin was strong and varied by provider type, 2022

FFS Medicare margin



Provider type	2022 share of providers	2022 FFS Medicare margin
All	100%	9.8
Freestanding	86	12.4
Home health based	7	3.8
Hospital based	6	-23.5
For profit	78	16.1
Nonprofit (NP)	20	0.3
NP freestanding	11	5.1
Urban	86	10.0
Rural	14	8.1

Note: FFS (fee-for-service). Margin excludes cap overpayments and nonreimbursable costs. Components of the “share of providers” column may not sum to 100% due to rounding.

Source: MedPAC analysis of Medicare hospice claims, cost reports, and Provider of Services file from CMS.

Summary: Hospice payment adequacy indicators



Beneficiaries' access to care

- Increase in provider supply
- Increase in share of decedents using hospice, number of hospice users, total days of care
- Increased or stable length of stay
- Stable average visits per week
- FFS Medicare marginal profit: 14%

Positive



Quality of care

- CAHPS® quality scores were stable
- Composite process measure increased slightly but generally topped out
- Number of visits at the end of life was stable or increased slightly, but nurse visits below 2019

Stable



Access to capital

- Continued entry of for-profit providers
- Sector viewed favorably by investors
- Provider-based hospices have access via parent provider

Positive



FFS Medicare payments and costs

- 2022 FFS Medicare margin: 9.8%

Positive

Note: FFS (fee-for-service), CAHPS® (Consumer Assessment of Healthcare Providers and Systems®).

Medicare Payment Advisory Commission

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