Advising the Congress on Medicare issues

Assessing payment adequacy: Hospice services

Kim Neuman

December 7, 2012

MEDPAC

Overview of Medicare hospice, 2011

- Beneficiary users: > 1.2 million
- Percent of decedents: 45%
- Providers: > 3,500
- Medicare spending: $13.8 billion

Medicare hospice benefit

- Benefit implemented in 1983 on the presumption that it would be less costly to Medicare than conventional end-of-life care

- Two constraints were placed on the benefit:
  - Eligibility criteria: life expectancy of six months or less if the disease runs its normal course
  - Hospice payment cap: total payments to a hospice in a year cannot exceed aggregate cap amount, which is $23,875 (in 2010) multiplied by the number of beneficiaries

Commission's prior analysis and recommendations on hospice

- In depth review in 2008 and 2009
- Over period from 2000-2007:
  - number of hospice patients nearly doubled
  - Medicare spending more than tripled
  - number of providers grew by ~45%, mostly for-profits
  - average length of stay (ALOS) increased by ~50%, driven by increased length of stay for patients with the longest stays
  - for-profits had longer stays than nonprofits
- Panel of hospice physicians and staff gave reports of:
  - Lax admission and recertification practices at some hospices
  - Concerns about financial arrangements between some hospices and nursing homes

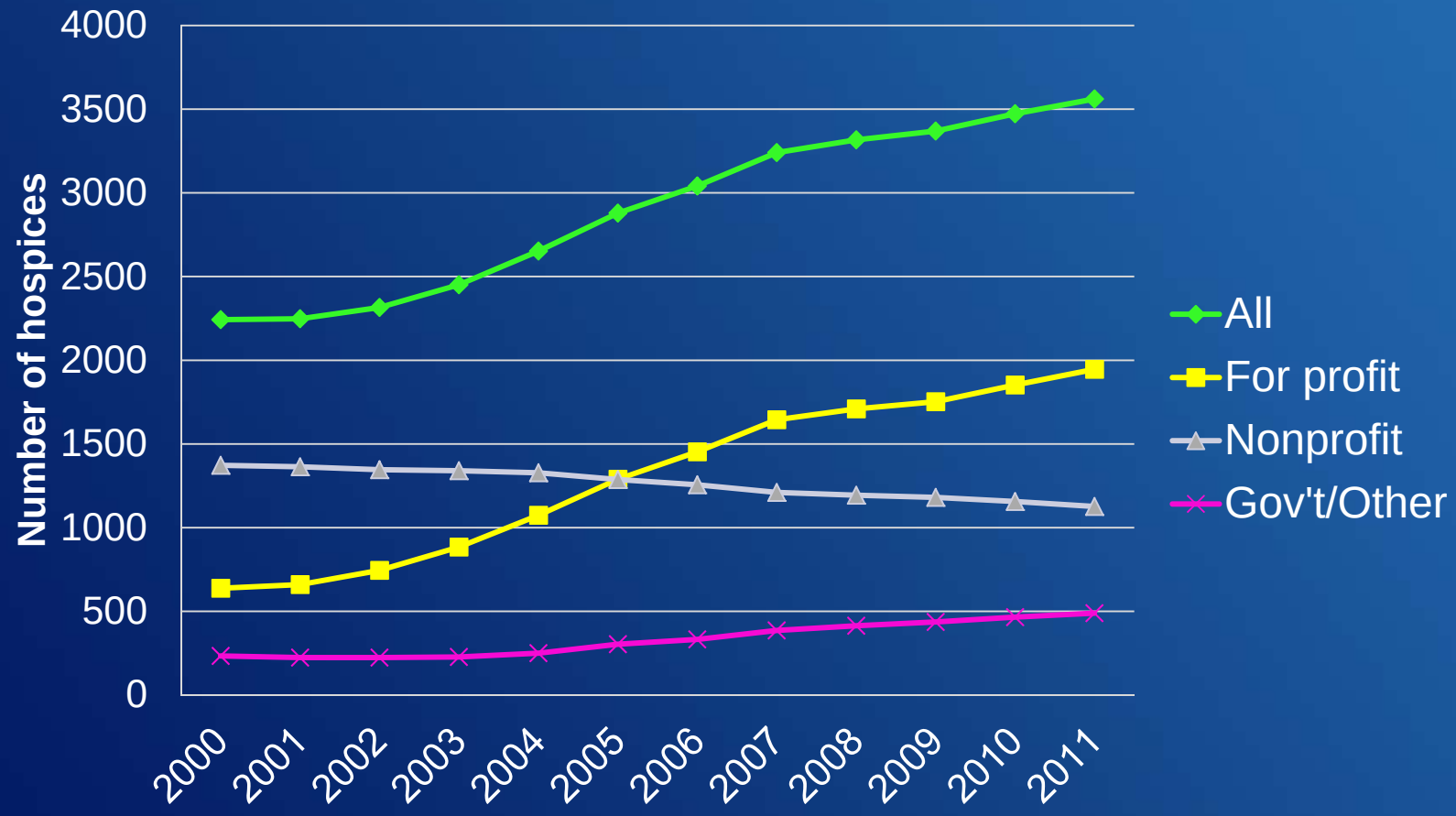
Commission's prior analysis and recommendations on hospice

- Evidence that the payment system is not well matched with the intensity of care throughout an episode
  - Medicare makes a flat payment per day (whether a visit is provided or not), while hospice service intensity is greater at the beginning and end of the episode. As a result, long stays are more profitable than short stays.
- Commission recommendations (March 2009)
  - Payment system reform (u-shaped curve)
  - Increased accountability (physician narrative, face-to-face recertification visit, focused medical review, OIG studies)
  - More data collection (claims, cost report)

Assessing adequacy of hospice payments

- Access to care
  - Supply of providers
  - Volume of services
- Quality of care
- Access to capital
- Payments and costs

Supply of hospices has increased, driven by growth of for-profit hospices



Note: Figures preliminary and subject to change

Source: MedPAC analysis of data from Provider of Services file and hospice claims from CMS.

Hospice use has grown substantially in recent years

	Percent of Medicare decedents using hospice			Average annual % pt change	% pt change
	2000	2010	2011	2000-2010	2010-2011
All decedents	22.9%	44.0%	45.2%	2.1	1.2
Age<85	23.7	39.9	40.8	1.6	0.9
Age 85+	21.4	50.4	52.0	2.9	1.6
White	23.8	45.8	47.0	2.2	1.2
Minority	17.3	33.6	35.1	1.6	1.5
Urban	24.3	45.5	46.6	2.1	1.1
Rural	17.8	38.7	40.2	2.1	1.5

MEDPAC

Note: Figures preliminary and subject to change.

Source: MedPAC analysis of Medicare Beneficiary Database and Denominator File data from CMS

Number of hospice users and spending continued to increase while growth in average length of stay leveled off

	2000	2010	2011	Average annual change 2000-2010	Annual change 2010-2011
Medicare hospice spending (billions)	$2.9	$13.0	$13.8	16.1%	6.8%
Number of hospice users	513,000	1,159,000	1,219,000	8.5%	5.2%
Average length of stay, decedents (days)	54	86	86	4.8%	0%
Median length of stay, decedents (days)	17	18	17	+ 1 day	-1 day

Note: Figures are preliminary and subject to change. Length of stay reflects the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime.

Source: MedPAC analysis of Medicare hospice claims data, Medicare Beneficiary Database and Denominator File data from CMS

Length of stay varies by beneficiary and provider characteristics, 2011

ALOS varies by:

- Diagnosis (cancer 52 days; neurological 137 days)
- Patient location (home 88 days; nursing facility 111 days; ALF 149 days)
- Ownership (nonprofit 69 days; for-profit 102 days)
- Type of hospice (provider-based 65 days; freestanding 89 days)

Note: Figures are preliminary and subject to change. Length of stay data are for Medicare decedents who used hospice in the last calendar year of life and reflects the total number of days the decedent hospice user was enrolled in the Medicare hospice benefit during his/her lifetime.

Source: MedPAC analysis of Medicare hospice claims data, Medicare Beneficiary Database and Denominator File data from CMS

Hospice cap

- 10.2 percent of hospices exceeded the cap (2010)

- Above-cap hospices:
  - Almost entirely for-profit providers
  - Very long lengths of stay
  - Substantially more patients discharged alive
  - Very high profit margins before the return of cap overpayments

MEDPAC

Note: Figures are preliminary and subject to change.

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

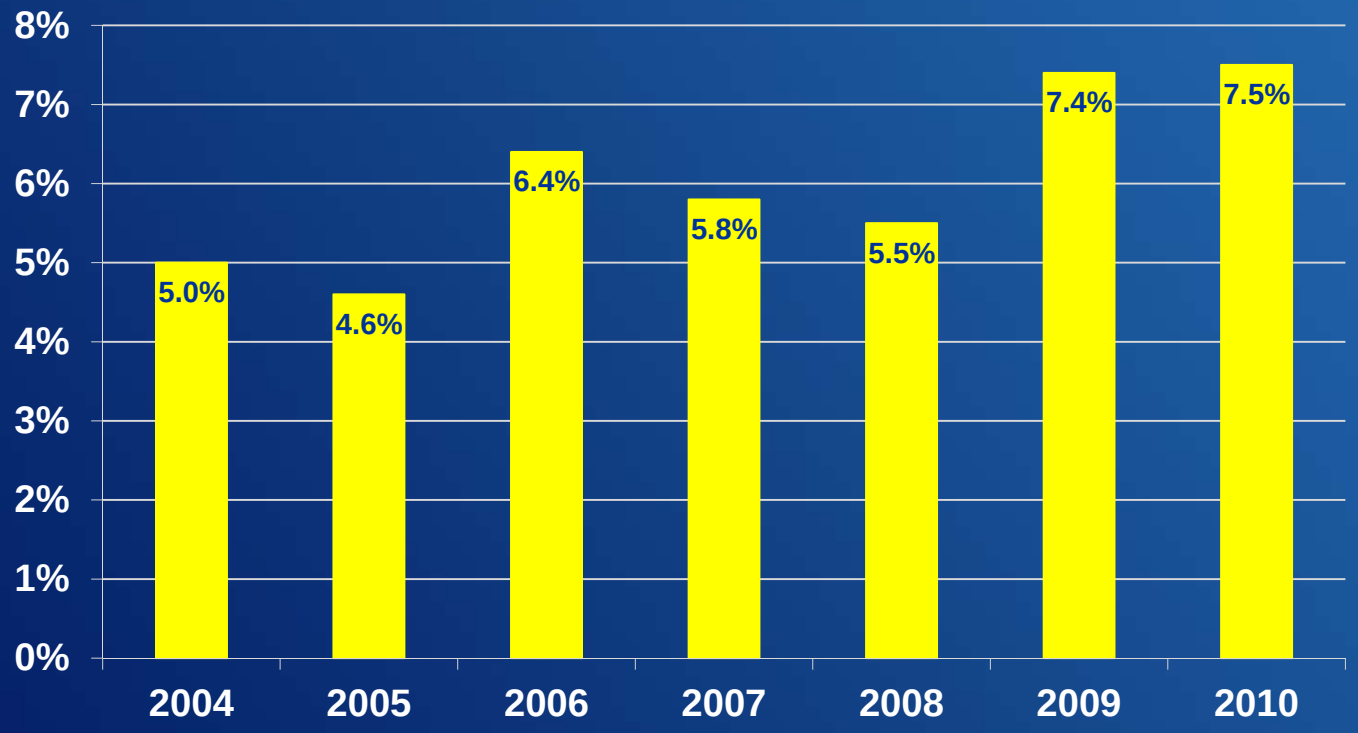
Hospice quality of care

- Currently, no publicly available quality data covering all hospices
- Reporting to begin in 2013 on two measures: pain measure and structural measure
- Payment update will be reduced 2 percentage points in FY 2014 for non-reporters
- We anticipate a high rate of participation in quality reporting in 2013

Access to capital appears adequate

- Hospice is less capital-intensive than some other provider types
- Freestanding hospices
  - Publicly-traded chains: favorable financial reports
  - Continued strong growth in the number of for-profit hospices
  - Limited information on access to capital for nonprofit freestanding providers
- Provider-based hospices have access to capital through their parent institutions

Hospice Medicare margins, 2004-2010



Note: Figures are preliminary and subject to change. Margins exclude cap overpayments and non-reimbursable costs.

Source: MedPAC analysis of Medicare hospice claims and cost reports from CMS

MEDPAC

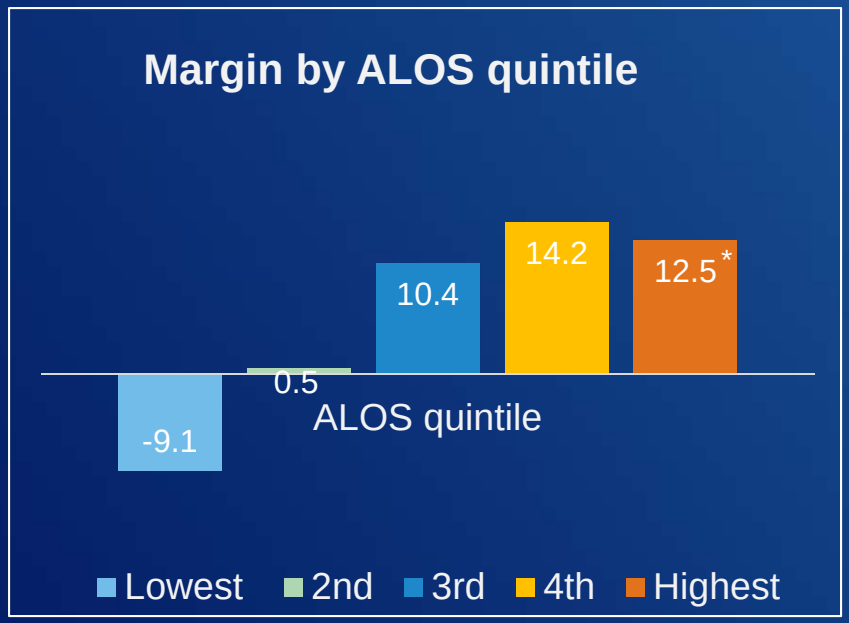
Medicare margins vary by type of provider, 2010

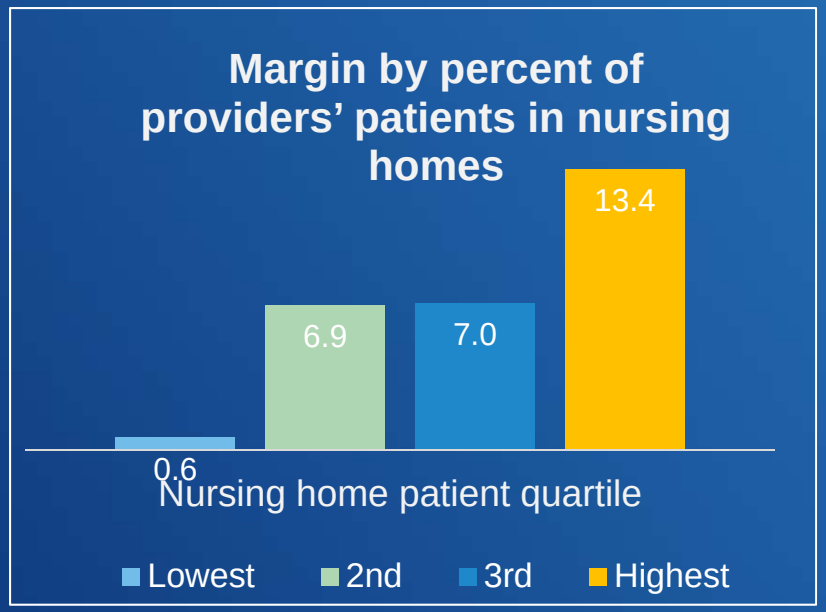
	Percent of hospices	Medicare margin, 2010
All	100%	7.5%
Freestanding	69	10.7
Home-health-based	16	3.2
Hospital based	15	-16.0
For profit – all	53	12.4
– freestanding	47	13.4
Nonprofit – all	33	3.2
– freestanding	16	7.6
Urban	71	7.8
Rural	29	5.3
Below cap	89.8	7.8
Above cap (exclude/include overpayments)	10.2	3.2/17.3

Note: Figures are preliminary and subject to change. Margins exclude cap overpayments (except where noted) and non-reimbursable costs.

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

Medicare margins vary by length of stay and site of service, 2010





* The margin for the highest ALOS quintile dips because some hospices in this category exceed the cap and the repayment of overpayments lowers their margin. Absent the cap, the margin for this group would be nearly 17 percent.
Note: Figures are preliminary and subject to change. ALOS (average length of stay). Margins exclude cap overpayments and non-reimbursable costs.
Source: MedPAC analysis of Medicare hospice claims, cost reports, and provider of service file from CMS

MEDPAC

Summary

- Indicators of access to care are favorable
  - Supply of providers continues to grow, driven by for-profit hospices
  - Number of hospice users increased
  - Length of stay growth has leveled off
- Quality data are unavailable
- Access to capital appears adequate
- 2010 margin is 7.5%