

Hospice payment issues

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October 4, 2007

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Medicare's hospice benefit

- Beneficiaries at end of life can *elect* hospice care
- Must be certified by a physician as likely prognosis of death within six months
- Services under hospice benefit
- Beneficiaries electing hospice explicitly forego curative treatment

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Medicare's hospice benefit (cont.)

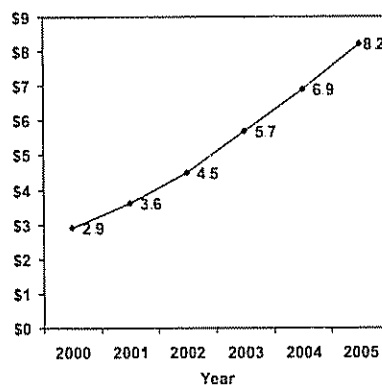
- Election periods
- Per-diem payment for four categories of service
 - Routine home care - \$135
 - Continuous home care - \$789
 - Inpatient respite care - \$140
 - General inpatient care - \$601
- Minimal beneficiary cost sharing

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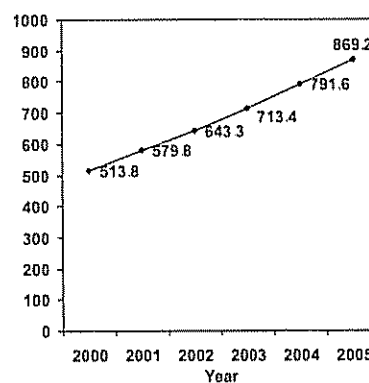
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Hospice spending and utilization, 2000 - 2005

Spending (billions)



Beneficiaries (thousands)

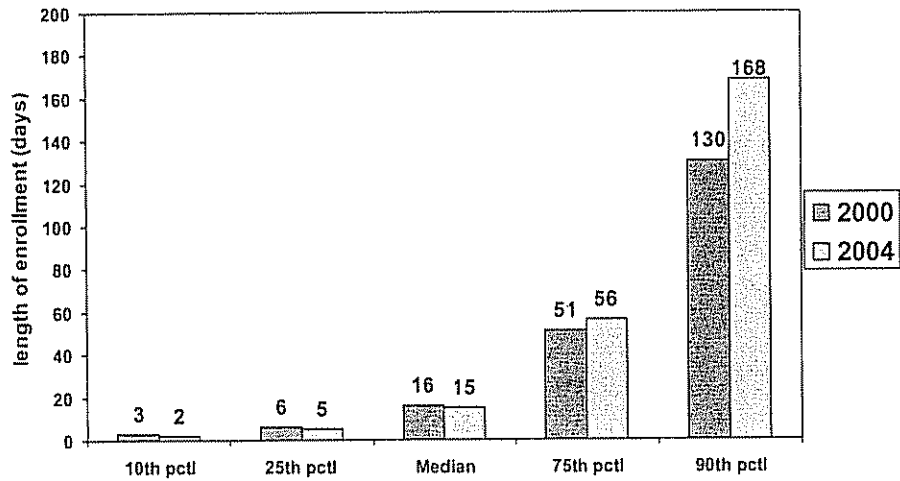


Source: Centers for Medicare and Medicaid Services

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Average hospice LOS increasing overall, but significant variation within average



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MedPAC analysis of 2005 5% EDB file from CMS

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Two caps limit Medicare payments to hospices

- 1) Share of inpatient days limited to 20 percent of total days
- 2) Average annual payment per hospice patient: \$21,410 for cap year ending October 31, 2007

e. g.: 250 patients x \$21,410 = \$5.35 million

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Hospices reaching the aggregate per-beneficiary payment cap, 2002 – 2005

CAP YEAR	2002	2003	2004	2005
Number of Hospices (POS)	2290	2400	2609	2887
# hospices subject to cap (estimated)	44	78	124	177
% of POS hospices	1.9%	3.3%	4.8%	6.1%
Payments over the cap subject to recovery (imputed, in millions)	\$22.1	\$54.3	\$91.9	\$122.3
Actual FY spending (in millions)	\$4,516.6	\$5,682	\$6,897.3	\$8,154.9
Imputed cap excess payments as % of total payments	0.5%	1.0%	1.3%	1.5%

Source: MedPAC analysis of 100% Hospice Standard Analytical File (claims) data, 2002 - 2005, and Provider of Services (POS) file data, 2002 - 2005, from CMS. Data are preliminary and subject to revision.

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Characteristics of Cap vs. Other hospices, 2002 and 2005

CATEGORY	2002		2005	
	Cap hospices	Non-cap hospices	Cap hospices	Non-cap hospices
Total	1.9% (n=38)	98.1% (n=1949)	6.1% (n=152)	93.9% (n=2323)
Urban	1.0% (n=19)	60.1% (n=1194)	3.7% (n=91)	59.1% (n=1463)
Rural	1.0% (n=19)	37.9% (n=754)	2.5% (n=61)	34.7% (n=860)
Nonprofit	0.3% (n=5)	59.3% (n=1178)	0.6% (n=16)	46.6% (n=1152)
Proprietary	1.7% (n=33)	29.0% (n=576)	5.3% (n=132)	37.3% (n=923)
Government	—	6.3% (n=126)	0.1% (n=2)	4.7% (n=117)
Other	—	3.5% (n=69)	0.1% (n=2)	6.3% (n=131)
Freestanding	1.8% (n=36)	47.0% (n=933)	5.7% (n=142)	51.3% (n=1270)
Provider-based	0.1% (n=2)	51.1% (n=1016)	0.4% (n=10)	42.5% (n=1053)
Avg number of patients / year	190	308	220	339
Average LOS (freestanding only)	139	90	147	71

Source: MedPAC analysis of Medicare hospice cost reports and 100% hospice claims standard analytical files (SAF) from CMS. Estimates are preliminary and subject to revision.

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Days per patient, cap vs. non-cap hospices, 2005

Hospice cap status	Number of patients	Median days per patient	Mean days per patient	Percent of patients > 180 days
Non-cap hospices	725,123	19	55.1	14.7
Cap hospices	21,246	71	111.4	40.4

Source: MedPAC analysis of 100% hospice claims 2005 standard analytical file (SAF) from CMS. Data reflect hospice patients for whom a length of stay could be calculated for 2005. Data are preliminary and subject to revision.

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Variation in hospice days per patient, selected diagnoses, 2005

Diagnosis	# of patients	% of patients	Median LOS (days)	Mean LOS (days)	% of Cases > 180 days
Alzheimer's Disease	36,048	4.8%	37	86	29.4
Chronic ischemic Heart Disease	3,067	0.4%	36	82	25.3
Uncomplicated Senile Dementia	21,868	2.9%	26	73	24.6
Adult Failure to Thrive	33,997	4.6%	28	70	20.0
Debility (general)	52,558	7.0%	25	68	19.1
Lung Cancer	75,726	10.2%	19	44	7.4
Cerebrovascular disease	25,771	3.5%	8	43	13.9
Pancreatic cancer	16,329	2.2%	19	38	4.7
Renal failure (general)	10,594	1.4%	6	24	4.5
Septicemia	2,147	0.3%	4	12	1.9

Source: MedPAC analysis of 2005 100% hospice claims standard analytic file (SAF) from CMS. Data are preliminary and subject to revision.

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Top 8 diagnoses, cap and non-cap hospices, 2005

DIAGNOSIS	Hospices not subject to cap			Hospices subject to cap		
	Number of cases	% of total cases	Average LOS	Number of cases	% of total cases	Average LOS
Lung cancer (NOS)	74,610	10.3	43.7	1,116	5.3	56.2
Congestive heart failure	53,680	7.4	59.4	2,774	13.1	127.5
Ill-defined debility	51,158	7.1	66.4	1,400	6.6	116.7
Chronic airway obstruction	40,594	5.6	68.2	1,697	8	124.7
Alzheimer's Disease	34,397	4.7	83.3	1,651	7.8	144.1
Adult failure to thrive	32,871	4.5	68.6	1,126	5.3	112.3
Cerebrovascular disease	25,038	3.5	41.4	733	3.5	108.6
Uncomplicated senile dementia	21,091	2.9	71.8	777	3.7	117.4
Total, top 8 diagnoses	333,439	46	60.8	11,274	53.3	117.7

Source: MedPAC analysis of CY2005 100% Hospice Standard Analytic File from CMS.
Data are preliminary and subject to revision.

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Mathematical illustration of cap, long LOS diagnoses, high-wage area (NYC)

Diagnosis	Mean LOS	LOS (75 th pctl)	Number of Patients	Total routine home care \$ (95% of days)	Total GIC \$ (5% of days)	Total payments
Alzheimer's disease	86	127	50	\$1,040,563	\$239,972	\$1,280,535
Senile dementia	73	102	50	\$835,728	\$192,733	\$1,028,461
Chronic airway obstruction	70	97	50	\$794,761	\$183,286	\$978,047
Adult failure to thrive	70	96	50	\$786,568	\$181,396	\$967,964
Unspecified heart disease	69	94	50	\$770,181	\$177,617	\$947,798
Unspecified debility	68	93	50	\$761,987	\$175,728	\$937,715
Congestive heart failure	63	86	50	\$704,633	\$162,501	\$867,134
Total patients / payments			350			\$7,007,654
Cap amount						\$7,493,500

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Source: MedPAC analysis of FY2007 payment rates and cap from CMS
Estimates are preliminary and subject to change

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Issues for further investigation

- Consider any potential changes to cap in context of overall hospice payment system
- Payment adequacy
- Changing patient mix – implications for payment
- Better definition of hospice visits