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Preserve the Medicare Hospice Benefit

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BACKGROUND: The Medicare Hospice Program was created in 1982 to provide integrated, coordinated end-of-life care to terminally ill Medicare beneficiaries, and to provide supportive bereavement services for their loved ones. While initially developed with the needs of terminally ill cancer patients in mind, the Medicare Hospice Benefit now serves beneficiaries with a wide range of diagnoses who are approaching the end of life (life expectancy of six months or less certified by a physician). The average length of stay on the hospice benefit is approximately 85 days; however, there are many patients who are on the benefit only a short time before they die. The Medicare Hospice Benefit has been found to save money over conventional, curative care; most importantly, it improves the quality of life for millions of beneficiaries and their loved ones. The Centers for Medicare & Medicaid Services (CMS), as directed by Congress under the Affordable Care Act (ACA), is currently developing refinements to the payment system so that reimbursements across the hospice length of stay are consistent with costs providers incur. With a payment system that more appropriately pays for services delivered, it is anticipated that the new system will reduce the incidence of inappropriate use of hospice.

RECOMMENDATION: **Preserve the Medicare Hospice Benefit by rejecting additional cuts to providers as part of budget and deficit negotiations.**

RATIONALE:

- In FY2010, CMS began phasing out the Budget Neutrality Adjustment Factor (BNAF) to the hospice wage index over seven years. In each year the phase out reduces scheduled annual increases by 0.6 percent. CMS has estimated that **the phase-out, when completed, will reduce hospice payments by 4 percent.**
- In addition to the BNAF phase out, the FY2013 payment cycle reflected additional reductions mandated by the ACA, including a 0.7 percent productivity cut and a 0.3 percent market basket reduction. **Rather than a scheduled 3 percent cost of living update, hospice providers received only a 0.9 percent update for FY2013 to cover increased costs of care.**
- **MedPAC has projected that Medicare hospice financial margins for 2012 (without**

consideration of costs related to volunteer and bereavement services) will average about 5 percent; however, financial margins vary widely in the hospice sector, and many hospices are operating at serious financial risk. **Further cuts will harm those programs that can least afford to absorb additional cuts.** Additionally, there is some concern that MedPAC's estimates may not take into full account costs associated with the face-to-face encounter requirements that went into effect Jan. 1, 2011.

- A recent study conducted for the National Hospice and Palliative Care Organization (NHPCO) estimated that the **combined impact of scheduled ACA cuts and elimination of the BNAF could result in average margins for hospice providers decreasing from 6 percent in 2011 to NEGATIVE 10 percent by 2022.** Additionally, the study estimated that **66 percent of hospices could have negative Medicare financial margins by 2022.**
- A study by Duke University showed that patients who died under the care of hospice cost the Medicare program an average of about \$2,300 less compared with those who did not.
- At its November 2008 and subsequent meetings, MedPAC discussed potential recommended revisions to the Medicare hospice benefit reimbursement system. There is concern about the costs of short stay patients not being fully covered under the current reimbursement system. **Financial margins for hospices with shorter stay patients are generally significantly lower than those of hospices serving long-stay patients.** Paying accurately for all types of patients is important to ensure access to services for all Medicare beneficiaries who want to elect hospice care and to ensure that the program is paying rates that cover providers' costs for all types of patients.