



Elaine D. Stephens, RN, MPH
Chairman of the Board

NATIONAL ASSOCIATION FOR HOME CARE & HOSPICE
228 Seventh Street, SE, Washington, DC 20003 • 202/547-7424 • 202/547-3540 fax

Val J. Halamandaris, JD
President

PRESERVE THE FULL HOSPICE MARKET BASKET UPDATE AND BUDGET NEUTRALITY ADJUSTMENT TO THE HOSPICE WAGE INDEX

ISSUE: President Bush's proposed 2009 budget includes a three-year \$5.14 billion cut (a three-year freeze on the hospice market basket update followed by a permanent 0.65 percent reduction in the annual hospice market basket update) in the Medicare hospice program. The budget also contains a regulatory cut of \$2.29 billion over five years through permanent elimination of the budget neutrality adjustment for the hospice wage index. The regulatory cut alone would result in about a 4 percent cut in the hospice reimbursement rates each year. CMS believes it can implement elimination of the budget neutrality adjustment without Congressional approval and has issued a final rule to implement this cut on October 1, 2008. Representatives Chris Van Hollen (D-MD), Jim Ramstad (R-MN), and Maurice Hinchey (D-NY), and Senators Arlen Specter (R-PA), Tom Harkin (D-IA), Pat Roberts (R-KS), Ron Wyden (D-OR), Susan Collins (R-ME), Jay Rockefeller (D-WV), and Gordon Smith (R-OR) have introduced the "Medicare Hospice Protection Act" (H.R. 6873/S. 8424), which would block for one year the implementation of this regulatory cut.

If Congress enacts the President's hospice market basket cuts and allows CMS to go forward with eliminating the budget neutrality adjustment, it would result in a hospice reimbursement cut of nearly \$8 billion over five years from a \$10 billion per year program.

RECOMMENDATION: Congress should reject any proposals to cut the hospice market basket update and direct CMS to continue the budget neutrality adjustment for the wage index annual update by enacting H.R.6873/S.3484. The Medicare Payment Advisory Commission (MedPAC) should be permitted to conclude its study of the need for refinements in the hospice reimbursement system before Congress acts.

RATIONALE: MedPAC is in the process of studying the hospice reimbursement system to determine whether there is a need for refinements/changes. MedPAC will then report its findings to the Congress. MedPAC has not recommended a cut in the hospice benefit. A recent study by Duke University showed that patients receiving hospice care cost the Medicare program about \$2,300 less than those that did not.

A June 2004 report by the Government Accountability Office (GAO) determined that 34 percent of hospices in 2000 and 32 percent in 2001 had higher costs than reimbursement. The GAO recommended that CMS collect comprehensive data on the utilization and cost of hospice visits and services to determine whether the hospice payment categories and methodology require modification. CMS is in the process of doing this.

The hospice wage index is updated annually using the most currently available hospital wage data as well as any changes by the Office of Management and Budget in the core-based statistical areas; these calculations are adjusted for budget neutrality to arrive at that year's wage index. In 1994, as a result of disparity in wages from one geographical location to another, CMS established a committee to negotiate a wage index methodology that could be accepted by the industry and the government. The National Association for Home Care & Hospice participated in the Hospice Wage Index Negotiated Rulemaking Committee along with representatives of CMS and other hospice stakeholders. On April 13, 1995, the Hospice Wage Index Negotiated Rulemaking Committee signed an agreement for the methodology to be used for updating the hospice wage index which is now in place. At that time, CMS agreed to continue the same budget neutrality adjustment that was put into place when the benefit was created in 1983. Given that the agreement was entered into in good faith by all parties, action in this area should only be considered as part of a broader effort to refashion the hospice benefit.

*For more information, please contact the National Association for Home Care & Hospice
Government Affairs Department, 202-547-7424 (9/16/08)*