

PRESERVE THE FULL MARKET BASKET UPDATE FOR THE MEDICARE HOSPICE BENEFIT

ISSUE: The Bush Administration's fiscal year 2009 budget proposed to cut Medicare hospice benefit payments by \$5.14 billion over five years by freezing the market basket update for three years and permanently cutting 0.65 percent from the market basket inflation updates thereafter. Fortunately, the Congress chose not to act on this proposal. The Centers for Medicare & Medicaid Services (CMS) Administrator stated that the Administration's proposed Medicare cuts mostly follow along the lines of the Medicare Payment Advisory Commission (MedPAC) recommendations. However, MedPAC has NOT recommended any cuts in the inflation update for hospice.

RECOMMENDATION: Congress should reject any proposals to cut the hospice market basket update. A study of the need for refinements in the Medicare hospice benefit as recommended by the Government Accountability Office (GAO) and MedPAC should be conducted before any cuts in reimbursement are undertaken.

RATIONALE:

- A recent 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. In its June 2004 report on the Medicare hospice benefit, the GAO determined that 34 percent of hospices in 2000 and 32 percent in 2001 had higher costs than reimbursements. A cut in the market basket update would impair the ability of hospices to maintain Medicare beneficiary access to care.
- The GAO recommended that CMS should collect comprehensive, patient-specific data on the utilization and cost of hospice visits and services to determine whether the hospice payment categories and methodology require modification. It did not recommend an across the board cut in hospice payments. CMS is in the process of collecting such data for analysis.
- MedPAC, in its November 2008 meeting discussed potential recommended revisions to the Medicare Hospice Benefit reimbursement system. There is concern about the costs of short stay patients not being covered in the current reimbursement system. 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.