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ENSURE ADEQUATE AND APPROPRIATE PAYMENT FOR MEDICARE HOSPICE SERVICES

ISSUE: The recently enacted health care reform legislation, the Patient Protection and Affordable Care Act (PPAC) (H.R. 3590; P.L. 111-148), includes a “productivity adjustment” to the hospice market basket index beginning in 2013, which is estimated to reduce the hospice market basket update by 1 percentage point each year, in addition to a .3 percent reduction in the market basket index for the period 2013 to 2019. These reductions in the market basket index would cut hospice reimbursement by approximately \$7 billion between 2013 and 2019. The PPAC also requires the Secretary of HHS to collect additional data and information in order to revise payments on a budget neutral basis for hospice care. Payment revisions would go into effect no earlier than October 1, 2013.

Former President Bush’s 2009 budget included a regulatory proposal that would permanently eliminate the budget neutrality adjustment factor (BNAF) for the hospice wage index resulting in about a 4 percent cut in hospice reimbursement rates. The payment reductions were estimated to be \$2.29 billion over five years. In its final rule on the FY 2010 hospice wage index, CMS announced the phase-out of the BNAF would be spread over seven years. Imposition of the BNAF phase-out began October 1, 2009.

The PPAC provides for a three-year demonstration project that would allow hospice patients to concurrently receive all other Medicare-covered services and permits Medicaid eligible children to receive hospice services without forgoing any other service.

RECOMMENDATION: Congress should:

- 1) Ensure the full market basket update for the Medicare hospice benefit;
- 2) Preserve the budget neutrality adjustment factor in the Medicare hospice wage index;
- 3) Provide a hospice rural add on payment to ensure access to care for rural patients;
- 4) Modernize the Medicare hospice benefit and payment system in a way that assures preservation of access to care, quality of care, and reasonably sufficient reimbursement rates to maintain a viable and stable delivery system; and
- 5) Ensure speedy implementation and expansion of the Medicare hospice concurrent care demonstration project and the provision permitting Medicaid eligible children to receive hospice services without forgoing other Medicaid services.

RATIONALE: The legislative and regulatory cuts are more than hospices can absorb when the average hospice profit margin, according to the Medicare Payment Advisory Commission (MedPAC), is 4.6 percent. The elimination of the BNAF alone is estimated to decrease hospice reimbursement by 4 percent. There is a very real danger of putting community hospices out of business resulting in a lack of access to the hospice benefit, particularly in rural areas.

The Medicare budget also will suffer through the loss of hospice care. A recent Duke University study showed that patients who died under the care of hospice cost the Medicare program an average of about \$2,300 less compared with those that did not.

The current Medicare hospice reimbursement model no longer fits with the evolution in hospice since the Medicare benefit began in 1983. Patients have widely varying lengths of stay and levels of care within their hospice period of care. This maturation of hospice necessitates a full scale review and evaluation of the current reimbursement model. Changes to the hospice benefit and payment system should preserve the ability of Medicare beneficiaries to access the hospice benefit. Also hospice beneficiaries should not have to forgo curative care that might lengthen their lives and enhance their quality of life.

For more information, please contact the National Association for Home Care & Hospice
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