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## **PERMANENTLY RESTORE BUDGET NEUTRALITY ADJUSTMENT FACTOR IN THE HOSPICE WAGE INDEX AND PRESERVE FULL MARKET BASKET UPDATE**

**ISSUE:** President Bush's proposed 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 anticipated payment reductions were estimated to be \$2.29 billion over five years. As a result of a provision added to the American Recovery and Reinvestment Act of 2009 postponing elimination of the BNAF until October 1, 2009, the Centers for Medicare & Medicaid Services (CMS) reinstated the BNAF back to October 1, 2008. In its final rule on the FY 2010 hospice wage index, CMS announced the phase-out of the BNAF would be spread over 7 years, thus softening the impact.

Health care reform legislation in the House of Representatives also includes a provision called a "productivity adjustment" that would cut the hospice market basket update reimbursement by \$9.8 billion over 10 years. The Senate plan contains \$7.8 billion in hospice payment cuts from a combination of the productivity adjustment and other cuts to the hospice market basket update. This would come on top of the regulatory BNAF cut. This is more than the hospice industry can absorb when the average provider profit margin is 3.4 percent. 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.

**RECOMMENDATION:** Congress should direct CMS to permanently reinstate the budget neutrality adjustment factor in the Medicare Hospice Benefit wage index annual update. Congress should also remove the "productivity adjustment" and other cuts to the hospice market basket update from its health care reform proposals. CMS should be directed to efficiently and effectively collect sufficient data to responsibly analyze the need for refinements in the hospice reimbursement system before Congress acts to make permanent changes.

**RATIONALE:** The elimination of the BNAF and proposed cuts in the hospice market basket update create a serious risk of loss of access to hospice care. The Medicare Payment Advisory Commission (MedPAC) has reported that the average hospice margin was 3.4 percent in 2005; elimination of the BNAF alone decreases hospice reimbursement by 4

percent. This cut combined with the proposed cuts in the market basket update would have a devastating effect on access to hospice care

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. In January of 2009, MedPAC's Commissioners voted out a set of recommendations to the Congress that included changing the hospice payment system. However, MedPAC is relying on CMS to gather the data needed to ensure responsible analysis prior to making any refinements/changes. CMS is in the process of collecting data on hospice services and costs. MedPAC has not recommended a cut in hospice payments. As MedPAC has noted that there is insufficient hospice data to determine whether changes to the Medicare Hospice Benefit reimbursement system are needed.

For more information, please contact the National Association for Home Care & Hospice Government Affairs Department, 202-547-7424 (10/09)