



## CMS Should Collaborate with Industry to Evaluate Impact of Hospice Payment Reform Before Implementing Any Rebasing Initiatives

*Nearly 50% of Hospices in New York are Operating in the Red while the Statewide Aggregate Operating Margin is -16.57 (based on 2015-16 Cost Report Data)*

## **ISSUE: CMS Contemplates Rebasing of the Medicare Hospice Reimbursement Methodology while Providers in New York Struggle**

While analyzing data for its payment reform efforts in 2014, CMS suggested possible changes to the payment system for Routine Home Care (RHC) while also suggesting that it may be appropriate soon to “rebase” hospice payments and reduce reimbursement for RHC provided to patients in nursing facilities.

Then in 2015, CMS proposed and finalized modifications to payments for RHC under hospice that sets out two payment rates – a higher rate (now \$192.78 in 2018) for days one through 60 of hospice care and a lower rate (now \$151.41 in 2018) for days 61 and over. Despite a break in service, unless a patient is off hospice care for more than 60 days, the “count of days” for purposes of determining the appropriate RHC rate includes previous hospice service days. CMS also created a Service Intensity Add-on (SIA) applicable to in-person RN and Social Worker visits that are provided during the final seven days of life. The SIA is payable at the hourly rate for Continuous Home Care (CHC, paid at \$40.68 in 2018) for up to four hours per day. CMS was required to make the payment system changes budget neutral in the first year of application. However, given that the provision of RN and Social Worker visits in the payment changes are ongoing, CMS has indicated that, in future years, it will apply budget neutrality to account for changes in SIA utilization.

In addition, prior federal legislation reduced the market basket index by 0.3 points in fiscal year (FY) 2013 through 2019, but makes provision to eliminate the market basket cut in each of FYs 2014 to 2019, if growth in the health insurance-covered population does not exceed 5 percent in the previous year.

An overriding concern, moving forward, is CMS’s indication in previous rulemaking that it believes rebasing of RHC rates (which would reduce them by approximately 10 percent) may be appropriate, and its continuing interest in reducing payments for care of patients in nursing facilities (NFs).

All of this is a major concern to HCA since approximately 50% of hospices in New York are operating in the red (Net Patient Service Revenue is less than their Operating Cost) and that the statewide aggregate operating margin for hospices in New York was **-16.57**, based on HCA’s analysis of 2015-16 Hospice Medicare Cost Reports.

## **RECOMMENDATION:**

CMS should closely monitor the impact of payment reform changes on access and quality of hospice care, and include representatives from both state and national associations and representatives from the hospice provider industry in discussions of advisable future reforms for the hospice payment system.

CMS should also monitor hospice operating margins based on most recent cost report data and resist efforts to overstep its charge to refine the hospice payment system by including changes (like rebasing of RHC or reduced payments for care provided to NF residents) that could go far beyond the payment refinement sought by the health reform bill and threaten future access to the full hospice benefit as it was conceived.

Changes such as rebasing and a site-of-service adjustment for NF patients may go well beyond what is needed, and create so much upheaval in the hospice payment system that they threaten the integrity of the hospice benefit and jeopardize access to care.

Finally, any future discussion related to potential rebasing of hospice rates should not take place until a reasonable set of standards for rebasing has been developed and made public.