

Hospice Care: Payment Policy



HAN

Hospice Action Network

Overview

Payment for hospice care is distinct from many other healthcare services. Medicare, and sometimes private health insurance or Medicaid, covers hospice services for patients who meet certain eligibility criteria. About 90% of hospice patient days were covered by Medicare in 2020. Medicare covers up to 100% of the costs for hospice care and services related to a patient's terminal illness. Medicare pays hospice providers a "per diem" or daily rate based on the level of care for each day a patient is enrolled.

Hospice providers are also subject to an aggregate Medicare hospice cap, which limits the annual payments made to hospice providers.

Recent studies from the University of Chicago's NORC and the National Bureau of Economic Research (NBER) have shown that hospice care results in significant savings to Medicare spending. The NORC study results showed that hospice care resulted in \$3.5 billion in Medicare savings in 2019. The study also showed that longer stays in hospice resulted in lower Medicare costs. The NBER study suggested that policies limiting hospice use deter cost-saving admissions. Study results indicated that the aggregate hospice cap deters the cost-saving use of hospice for long-staying patients, like those with Alzheimer's and Related Dementias, and is disruptive to patient care.

Challenges and Barriers

Hospices, like all other healthcare providers, have faced unprecedented challenges and demands since the COVID-19 pandemic. They have experienced three years of unrelenting workforce shortages among physicians, nurses, and other health professionals. Historic inflation levels, Medicare sequestration, and lowered revenues have all added severe financial pressure on providers.

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Solutions

NHPCO strongly recommends that Congress support the following policy proposals to ensure the provision of high-quality hospice and palliative care for all who need it:

- **Increase Medicare payment rates for hospice providers:** The Centers for Medicare and Medicaid Services (CMS) proposal of a 2.8% rate increase for FY24 is inadequate and unsustainable. The calculation to determine this payment does not reflect the most updated data or the current healthcare environment. It does not capture COVID-19, inflation, increased workforce demands, or new data showing hospice provides quality care at a lower cost. Increasingly, hospices report patient care costs greatly exceeding payments. Hospice providers are also uniquely dependent upon Medicare payments, as they are the source of approximately 90% of patient care days. This 2.8% increase is dwarfed by the everyday costs and demands of hospice providers across the nation. At this payment rate, hospices are effectively receiving a cut instead of an increase. Congress should urge CMS to reconsider its proposal and provide a more meaningful payment rate increase that acknowledges the reality hospices are facing today.
- **Suspend Medicare sequestration:** As the population continues to age, end-of-life care becomes more complex, and hospice use continues to increase. Reductions in Medicare payments to providers further exacerbate access challenges for those in need of high-quality, serious-illness care.
- **Oppose cutting the Hospice Aggregate Cap:** In recent years, some stakeholders have suggested reducing the aggregate cap as a way to slow spending and address program integrity. But this approach would have significant negative impacts on vulnerable populations. Reducing the hospice cap will limit access and delay care, exacerbate health disparities, reduce use of a unique form of care that improves quality of life, and increase overall Medicare spending.

NHPCO urges Congress to protect hospice and other providers from further financial hits and ensure all Americans have access to quality hospice and palliative care. Policymakers must support measures that increase value and reduce costs. Current research shows that any effort to save on costs will not be achieved by reducing hospice expenses. Rather, investment in hospice and the quality care it offers should be increased.