Hospice Care: Payment Policy

NHPCO Leading Person-Centered Care

HAN Hospice Action Network

Overview

The Medicare Hospice Benefit (MHB) is one of the greatest success stories in the history of the American healthcare system. By serving more people with diverse diagnoses, in communities across the entire country, scaling the MHB has meant that the most vulnerable beneficiaries have greater access to person and family-centered, holistic care which can help alleviate the suffering and stress of a serious illness.

Only about half of Medicare decedents access any hospice at all, and too many patients are on hospice for *extremely short* periods of time.

Hospice Payment Structure

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. The aggregate cap was designed to put a ceiling on Medicare expenditures for hospice services for all Medicare patients served over the course of a year. The cap was originally set and implemented based on 40% of the cost of care for a cancer patient in the last six months of life, and it remains calculated based on this original cancer-focused amount.

Challenges and Barriers

Hospices, like all other healthcare providers, have faced unprecedented challenges and demands since the COVID-19 pandemic. These include workforce shortages historic inflation levels, Medicare sequestration, and lowered revenues.

Increasing financial pressures on hospice providers will:

- **Reduce access to the hospice benefit:** Providers who serve patients with a more unpredictable disease trajectory, like dementia, are punished thereby disenfranchising entire categories of patients' access to hospice.
- **Exacerbate health disparities in hospice access and utilization:** Financial disincentives are most likely to impact individuals from medically underserved communities who already have lower rates of hospice utilization and poorer end-of-life care outcomes. This disproportionately includes patients and providers in rural areas.
- **Increases overall Medicare spending:** Any policy proposal that could limit hospice use may result in increased overall spending for Medicare, as patients who might have been served by cost-saving hospice instead utilize more expensive and aggressive care such as hospital, ER, and skilled nursing facility services. Recent research has shown that hospice use by Medicare beneficiaries is associated with significantly lower total health care costs across all payers, including Medicare.[1]

1. https://www.nhpco.org/wp-content/uploads/Value_Hospice_in_Medicare.pdf

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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) FY25 final hospice payment rule of 2.9% rate increase is inadequate and unsustainable. The calculation to determine this payment does not reflect the most updated data or the current healthcare environment. 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 2.9% 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.
- **Extensions of the IMPACT Act:** In addition to payment rates, the hospice aggregate cap also poses financial pressures on hospices. The cap has been effected by repeated extensions of the Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT Act), which modifies the hospice aggregate cap adjustment formula to the annual hospice base payment update amount. This modification results in a lower annual percentage increase to the cap amount, which produced the savings originally designed to pay for increased surveys.

Unfortunately, this provision has been extended, for the purposes of creating savings for hospice and non-hospice policy priorities, in appropriations legislation for fiscal years 2021 (PL 116-260), 2022 (PL 117-103), 2023 (117-328), and 2024 (PL 118-42) with negative consequences for beneficiaries.

Solutions

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

- **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.
- **Using hospice funds as a piggybank via the IMPACT Act:** We oppose extending the IMPACT Act provision that modifies the hospice aggregate cap indexing formula as a pay-for for non-hospice issues. At a time when the population is aging rapidly, the demand for high-quality end-of-life care is increasing, and only half of eligible Medicare beneficiaries who die each year elect to use any hospice at all, it is concerning that the MHB would be seen as a "non-controversial" method to fund programs totally unrelated to the provision of hospice services.

NHPCO urges Congress to protect hospice and other providers from further financial hits and ensure that 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.

For further information on these issues, please contact Logan Hoover, VP of Public Policy, at lhoover@nhpco.org.