

# Issue Brief

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## KEY POINTS

- The payment updates includes an increase of Medicare payments to providers of 1.1 percent, totaling \$160 million.
- The regulation updates the payment rates for hospices will include changes to the hospice wage index.
- The rule will create two different payment rates that will result in a higher base payment for the first 60 days of hospice care and a reduced base payment rate for days 61 and over.

## CMS Issues Final FY 2016 Hospice Update: Payments to Increase by 1.1 Percent

The Centers for Medicare and Medicaid Services has issued a final rule that will update hospice payment rates and wage amounts for fiscal year 2016 by 1.6 percent. CMS also will continue the final phase-out of the hospice wage index budget neutrality adjustment factor and the implementation of the new Office of Management and Budget Core Based Statistical Area delineations, bringing the hospice payment update down to 1.1 percent.

The rule is scheduled for publication in the *Federal Register* on Aug. 6. A copy of the 221-page document is currently available at: <https://www.federalregister.gov/articles/2015/08/06/2015-19033/medicare-program-fy-2016-hospice-wage-index-and-payment-rate-update-and-hospice-quality-reporting>. This link will change upon publication.

The regulation updates the payment rates for hospices to include changes to the hospice wage index by incorporating Office of Management and Budget core-based statistical area definitions, and changes the aggregate cap calculation and aligns the cap accounting year for both the inpatient cap and the hospice aggregate cap with the federal fiscal year starting in FY 2017.

In addition, the rule will create two different payment rates for routine home care that will result in a higher base payment rate for the first 60 days of hospice care and a reduced base payment rate for days 61 and over. Further, a service intensity add-on payment adjustment will be implemented that will result in an add-on amount equal to the Continuous Home Care hourly payment rate multiplied by the amount of direct patient care provided by a registered nurse or social worker provided during the last seven days of a beneficiary's life, if certain criteria are met.

Hospices that fail to meet quality-reporting requirements will receive a 2.0 percentage point reduction to their payment update percentage. Although this rule does not implement new quality measures, it provides updates on the hospice quality-reporting program.

## COMMENT

This is a well-written and easy to follow rule. A significant portion of the document address development and ongoing research of hospice payment reform. No doubt some aspects may be used in future rulemaking and rate determination amounts. CMS has provided some interesting Hospice statistics — the number of Medicare beneficiaries receiving hospice services has grown from 513,000 in FY 2000 to over 1.3 million

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in FY 2013. Similarly, Medicare hospice expenditures have risen from \$2.8 billion in FY 2000 to an estimated \$15.3 billion in FY 2013. The estimated effects of the 1.6 percent hospice payment update will result in an increase in payments to hospices of approximately \$250 million. Taking into account the use of updated wage data and the phase-out of the BNAF (-\$120 million), and the adoption of the new OMB CBSA delineations with a one-year transition for the FY 2016 hospice wage index (\$30 million), hospice payments are estimated to increase by \$160 million (\$250 million - \$120 million + \$30 million = \$160 million), or 1.1 percent, in FY 2016.

### FY 2016 HOSPICE RATE UPDATE

CMS will increase Hospice Payment Rates by a market basket update of 2.4 percent the proposed increase was 2.7 percent. However, that amount will be reduced by a multi productivity factor of 0.5 percent versus a proposed reduction of 0.6 percent, and an amount mandated by the Affordable Care Act of 0.3 percent for a net update of 1.6 percent. ( $2.4 - 0.5 - 0.3 = 1.6$ )

However, the rates will be reduced further by a 0.7 percent decrease due to updated wage data and the seventh and final year of CMS' seven-year phase-out of its wage index budget neutrality adjustment factor.

CMS will implement the OMB delineations as described in the February 28, 2013 OMB Bulletin No. 13-01 for the hospice wage index beginning in FY 2016. CMS will implement a 1-year transition to the OMB delineations. Specifically, to apply a blended wage index for one year (FY 2016) for all geographic areas that would consist of a 50/50 blend of the wage index values using OMB's old area delineations and the wage index values using OMB's new area delineations.

Hospital wage index values that are less than 0.8 are still subject to the hospice floor calculation. The hospice floor equates to a 15 percent increase, subject to a maximum wage index value of 0.8.

The wage index applicable to FY 2016 is available as a wage index file on CMS' website at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/Hospice/index.html>. The wage index will not be published in the *Federal Register*. The hospice wage index for FY 2016 will be effective Oct. 1, 2015 through Sept. 30, 2016. The wage index file provides a crosswalk between the FY 2016 wage index using the current OMB delineations in effect in FY 2015 and the FY 2016 wage index using the revised OMB delineations, as well as the transition wage index values that will be in effect in FY 2016.

### Hospice Labor Amounts

The labor portions of the hospice payment rates are as follows: for Routine Home Care, 68.71 percent; for Continuous Home Care, 68.71 percent; for General Inpatient Care, 64.01 percent; and for Respite Care, 54.13 percent. The non-labor portions of the payment rates are as follows: for Routine Home Care, 31.29 percent; for Continuous Home Care, 31.29 percent; for General Inpatient Care, 35.99 percent; and for Respite Care, 45.87 percent.

### Routine Home Care Rates

The rule implements two different payment rates for routine home care that result in a higher base payment rate for the first 60 days of hospice care and a reduced base payment rate for 61 or

more days of hospice care. The two RHC rates will become effective on Jan. 1, 2016. Between Oct. 1, 2015 and Dec. 31, 2015, hospices will continue to be paid a single RHC rate.

### Service Intensity Add-on Payment

CMS is adopting its proposed Service Intensity Add-On Payment adjustment. The SIA payment is a payment that would be made for the last seven days of life in addition to the per diem rate for the Routine Home Care level of care if certain criteria were met.

To qualify for the SIA payment, the following criteria must be met: (1) the day is a RHC level of care day; (2) the day occurs during the last 7 days of life (and the beneficiary is discharged dead); and, (3) direct patient care is provided by a RN or a social worker (as defined by §418.114(c) and §418.114(b)(3), respectively) that day.

The SIA payment will be equal to the continuous home care hourly payment rate multiplied by the amount of direct patient care provided by a RN or social worker for up to 4 hours total, per day, as long as the three criteria listed above are met. The SIA payment will be paid in addition to the current per diem rate for the RHC level of care.

#### FY 2016 Hospice Payment Rate for RHC for Oct. 1, 2015, through Dec. 31, 2015

Code	Description	FY 2015 Payment Rate	FY 2016 hospice payment update percentage	FY 2016 Payment Rate
651	Routine Home Care	\$159.34	X 1.016	\$161.89

#### FY 2016 Hospice Payment Rates for RHC for Jan. 1, 2016, through Sept. 30, 2016

Code	Description	Rates	SIA budget neutrality factor adjustment	FY 2016 hospice payment update percentage	FY 2016 Payment Rates
651	Routine Home Care (days 1-60)	\$187.54	X 0.9806	X 1.016	\$186.84
651	Routine Home Care (days 61+)	\$145.14	X 0.9957	X 1.016	\$146.83

#### FY 2016 Hospice Payment Rates for CHC, IRC, and GIP

Code	Description	FY 2015 Payment Rates	FY 2016 hospice payment update percentage	FY 2016 Payment Rate
652	Continuous Home Care Full Rate = 24 Hours of care \$=39.37 FY 2016 hourly rate	\$929.91	X 1.016	\$144.79
655	Inpatient Respite Care	\$164.81	X 1.016	\$167.45
656	General Inpatient Care	\$708.77	X 1.016	\$720.11

**FY 2016 Hospice Payment Rate for RHC for Oct. 1, 2015, through Dec. 31, 2015, for Hospices That DO NOT Submit the Required Quality Data**

Code	Description	FY 2015 Payment Rate	FY 2016 hospice payment update of 1.6 percent minus 2 percentage points = -0.4 percent	FY 2016 Payment Rate
651	Routine Home Care	\$159.34	X 0.996	\$158.70

**FY 2016 Hospice Payment Rates for RHC for Jan. 1, 2016, through Sept. 30, 2016 for Hospices That DO NOT Submit the Required Quality Data**

Code	Description	RHC Rates	SIA budget neutrality factor adjustment	FY 2016 hospice payment update of 1.6 percent minus 2 percentage points = -0.4 percent	FY 2016 Payment Rates
651	Routine Home Care (days 1-60)	\$187.54	X 0.9806	X 0.996	\$183.17
651	Routine Home Care (days 61+)	\$145.14	X 0.9957	X 0.996	\$143.94

**FY 2016 Hospice Payment Rates for CHC, IRC, and GIP for Hospices That DO NOT Submit the Required Quality Data**

Code	Description	FY 2015 Payment Rates	FY 2016 hospice payment update of 1.6 percent minus 2 percentage points = -0.4 percent	FY 2016 Payment Rate
652	Continuous Home Care Full Rate= 24 hours of care \$=38.67 hourly rate	\$929.91	X 0.996	\$926.19
655	Inpatient Respite Care	\$164.81	X 0.996	\$164.15
656	General Inpatient Care	\$708.77	X 0.996	\$705.93

**Hospice Aggregate Cap and the IMPACT Act of 2014**

The hospice aggregate cap amount for the 2015 cap year, starting on Nov. 1, 2014, and ending on Oct. 31, 2015, will be \$27,382.63.

The 2016 cap amount will be \$27,820.75 (\$27,382.63 \* 1.016).

The aggregate cap amount for any given hospice is established by multiplying the cap amount by the number of Medicare beneficiaries who received hospice services during the year.

**Alignment of the Inpatient and Aggregate Cap Accounting Year with the Federal Fiscal Year**

CMS is aligning the cap accounting year for both the inpatient cap and the hospice aggregate cap with the federal fiscal year for FYs 2017 and later.

**Hospice Aggregate Cap Timeframes for Counting Beneficiaries and Payments for the Alignment of the Cap Accounting Year with the Federal Fiscal Year**

Cap Year	Beneficiaries		Payments	
	Streamlined Method	Patient-by-Patient Proportional Method	Streamlined Method	Patient-by-Patient Proportional Method
2016	9/28/15 – 9/27/16	11/1/15-10/31/16	11/1/15-10/31/16	11/1/15-10/31/16
2017 (Transition Year)	9/28/16 – 9/30/17	11/1/16 – 9/30/17	11/1/16 – 9/30/17	11/1/16 – 9/30/17
	Proposed 2018	10/1/17– 9/30/18	10/1/17– 9/30/18	10/1/17– 9/30/18

**Update to the Hospice Quality Reporting Program**

CMS is not adopting any new measures for the HQRP at this time.

*Analysis provided for MHA  
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