# MedPAC Flags Rising Hospice Costs, Longer Stays

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WASHINGTON — Staggering growth in the popularity of hospice services—and in the rise of for-profit hospice providers—has caught the attention of the Medicare Payment Assessment Commission.

At their recent meeting, MedPAC commissioners debated the potential impact of rising hospice costs on the Medicare program.

The hospice benefit began in 1983 with the idea that it would cost Medicare less to provide hospice than conventional end-of-life treatment, which is usually delivered in the hospital, said MedPAC staff member James Mathews, Ph.D.

But there is some evidence indicating that hospice use may actually result in higher spending, said Dr. Mathews.

According to MedPAC's analysis of Medicare claims data, hospice spending tripled from 2000 to 2007, when Medicare spent $10 billion on hospice services. The mean length of hospice stay increased 30% from 2000 to 2005.

It's not clear why length of stay is increasing, although data have shown that some illnesses—such as Alzheimer's disease and ischemic heart disease—tend to result in longer stays, according to Dr. Mathews.

One explanation may be that hospice care tends to be more expensive at the beginning and the end of the service; interim days are more profitable, so there is an incentive to lengthen stay, he said.

But it appears that much of the growth in costs and length of stay is due to the huge increase in for-profit hospice facilities in the market.

From 2000 to 2007, very few nonprofit hospices entered the market, while the for-profit sector grew 12% a year, according to Dr. Mathews.

There were just a little more than 1,600 for-profit hospices in 2007, compared with about 1,200 nonprofit and 400 government-run facilities, according to the MedPAC analysis.

In addition, the analysis determined that profit margins are also much higher at for-profit hospice facilities. In 2005, the last year in the analysis, for-profit margins were about 12%, while nonprofits had negative margins. MedPAC also found that hospices that entered the market since 2000 had higher margins—and these were mostly for-profit operations.

**In July, hospices will begin to submit data to CMS on the type of services they deliver and which practitioners deliver them to examine costs.**

Some hospices, only about 9%, are subject to a cap that limits the length of stay, but even those facilities have found a way to profit from Medicare, said Dr. Mathews.

"Clearly, people see an opportunity—a financial opportunity—here," commented MedPAC chairman Glenn Hackbarth, a health care consultant based in Bend, Ore. He said that the commission needed to find a way to keep the hospice program from spiraling out of control.

Commissioner Jack Ebeler suggested that Medicare "may need blunter instruments for slowing the growth," but also added that the health program should not do anything to lose "an extraordinarily valuable benefit."

MedPAC vice chairman Robert Reischauer, Ph.D., suggested that Medicare payment could be refined to buy more appropriate care.

"It strikes me that there's probably an easy way to do this," according to Dr. Reischauer, who is also president of the Urban Institute.

J. Donald Schumacher, Psy.D., president and CEO of the National Hospice and Palliative Care Association, acknowledged that there has been a "huge growth spurt" in the hospice field. Facilities are worried that the Centers for Medicare and Medicaid Services or Congress might clamp down, using a "blunt instrument," Dr. Schumacher said at the meeting.

The commissioners and Dr. Schumacher agreed that a first step to a solution is getting more data on the hospice sector. CMS has already started down that path. In July, hospices will begin submitting data to CMS on the types of services they provide and which practitioners are delivering them. ■