

Medicare Panel Alarmed by Sharply Rising Hospice Costs

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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, but data have shown that some illnesses—such as Alzheimer's disease and ischemic heart disease—tend to result in longer stays, said 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, Dr. Mathews said. There were a few 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.

The analysis also determined that profit margins are 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—mostly for-profit operations—had higher margins.

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. 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," said 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. ■

MedPAC Gives Final Backing to Bundled Pay for Hospitalization

WASHINGTON — The Medicare Payment Advisory Commission has given its backing to bundling payment for hospitalization, which would essentially give hospitals and physicians an incentive to control costs and avoid readmissions.

At its April meeting, the commission (MedPAC) unanimously voted to include a bundling recommendation in its June report to Congress. As a first step, physicians and hospitals should be required to report to the Centers for Medicare and Medicaid Services (CMS) on resource use and readmissions during an "episode of care," which is proposed to include the first 30 days post hospitalization. The data would be confidential initially, but by the 3rd year should be made public, MedPAC commissioners recommended.

Once the resource and readmission data are in hand, CMS should start adjusting payment to hospitals, according to the recommendation. There would be the

possibility for gainsharing among hospitals and physicians. The commissioners also voted to direct CMS to study the feasibility of "virtual" bundling. With virtual bundling, the payment would be adjusted based on aggregate use of services over an entire episode of care.

Finally, MedPAC voted to recommend that CMS create a voluntary pilot to test actual bundled payment in selected disease conditions. The pilot could throw some light on how the hospital or accountable care organization receiving the payment decided to share funds, and how Medicare might share in any savings. The pilot represents Medicare's ultimate goal—making bundled payments, said MedPAC chairman Glenn Hackbarth, a health care consultant in Bend, Ore.

The data collection and adjusting payment based on readmission are interim steps aimed at getting providers to collaborate to improve care and cut costs, Mr. Hackbarth said. ■

POLICY & PRACTICE

IAN Registers Nearly 24,000

Kennedy Krieger Institute's Interactive Autism Network (IAN), the first U.S. autism registry, has registered nearly 24,000 individuals in its first year and is helping to facilitate approximately 75 research projects across the United States, the institute announced. As part of that total, 299 sets of twins have enrolled in the IAN research protocol, providing the largest collection of twins in published autism research. Twin studies provide an opportunity for researchers to investigate both genetic and environmental factors in autism, but studies historically have found it difficult to recruit twin sets, the institute said. Initial data from the registry indicated that living in a more rural state may delay the diagnosis of autism and limit access to private schools. In addition, another analysis of initial registry data showed that families of children with autism spectrum disorders (ASD) are using a number of autism interventions, ranging from therapy to medication to diet. The average number of simultaneous treatments was five, although half of those with an ASD receive four or fewer. Many families are using interventions that do not have strong research to support their efficacy in children with ASD, institute officials said.

Hurricanes' Mental Health Impact

Fifty-three percent of Louisiana residents said that the 2005 Hurricanes Katrina and Rita had an impact on the mental health of people living in their community, according to an April 2008 survey of 800 randomly selected adults that was conducted for Research!America, a nonprofit organization. Forty-one percent of those surveyed said they knew someone who had accessed mental health services, but 58% said they felt there were not enough mental health resources available. Only 27% said that access to services was getting better, while 40% said it had stayed the same, and 23% said it was worse. Sixty-nine percent said survivors had developed new skills for coping with disaster. The survey, which had a sampling error of plus or minus 3.5%, was released at a forum on mental and public health convened by Research!America, Pfizer Inc., Tulane University School of Public Health and Tropical Medicine, and Louisiana State University Health Sciences Center.

Disorders Cause Billions in Losses

A new study suggests that major mental disorders cost \$193 billion a year in lost earnings. Ronald Kessler, Ph.D., a professor of health care policy at Harvard University, Boston, and his colleagues analyzed data from 4,982 respondents to the 2002 National Comorbidity Survey Replication, a nationally representative study of Americans aged 18-64. They calculated earnings losses for those with a serious mental illness, compared with those who did not report mood and anxiety

disorders that impaired their ability to function in the 30 days prior to the survey. Those with a disorder earned significantly less—\$22,545, compared with \$38,852 for those without a disorder. In a press release, Dr. Kessler said that the estimate is most likely conservative because the survey does not include people in hospitals or prisons, and also had very few who were autistic or schizophrenic. The study was funded by the National Institute of Mental Health and was published on-line by the American Journal of Psychiatry in early May.

Half of America on Drugs

Medco Health Solutions has determined that 51% of insured Americans—children and adults—were taking prescription medications for at least one chronic condition in 2007. The pharmacy benefit management company analyzed a representative sample of 2.5 million people from its database. A surprise: Forty-eight percent of women aged 20-44 years are being treated for a chronic condition, compared with 33% of men their age. Antidepressants were the most common prescription for this age group, while the top therapies overall were antihypertensives and cholesterol cutters. Hormone therapy use by women aged 45-64 years declined from 30% in 2001 to 15% in 2007. The data "paint a pretty unhealthy picture of America," Dr. Robert Epstein, Medco's chief medical officer, said in a statement. "But there is a silver lining: It does show that people are receiving treatment which can prevent more serious health problems down the road."

Direct-to-Consumer Genetic Testing

Patients should be fully informed about how to interpret direct-to-consumer genetic tests, which provide only the probability of developing a disease, according to a new policy statement from the American College of Medical Genetics. The organization outlined minimum requirements for the use of any genetic testing protocol, including that patients be informed about the scientific evidence on which the test is based, that a knowledgeable professional should be involved in ordering and interpreting the test, that the clinical testing laboratory is properly accredited, and that privacy concerns are addressed. Michael S. Watson, Ph.D., who serves as executive director of the American College of Medical Genetics, said in a statement that although medical genetic counseling, testing, and treatments offer great possibilities for the future of health care, there is a lot of misinformation out there and more research is needed. "Consumers need to be cautious and always involve their health care provider, and in some cases a medical geneticist or genetic counselor, in their decisions about genetic testing," Dr. Watson said in the statement. The full policy statement is available online at www.acmg.net.