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Proposed wage index changes for Medicare hospices to increase payments by 2.3%, aims to improve patient access, quality of care

Hospices serving Medicare beneficiaries will see an estimated 2.3 percent increase in their payments for fiscal year (FY) 2012, according to proposed rule released today by the Centers for Medicare & Medicaid Services (CMS). They will also be called upon to begin reporting on the quality of care received by Medicare patients.

Today's notice of proposed rulemaking (NPRM) reflects the ongoing efforts of CMS to support access to hospice services while maintaining responsible financial stewardship of the Medicare Trust Fund.

The estimated hospice payments are the net result of an estimated 2.8 percent increase in the "hospital market basket," an indicator of input price increases, offset by an estimated 0.5 percent decrease in payments to hospices due to updated wage index data and the third year of CMS' seven-year phase-out of its wage index budget neutrality adjustment factor (BNAF).

Through the NPRM now on display in the *Federal Register*, CMS is soliciting public comments on a revised methodology to calculate the statutory aggregate cap, a revision to the face-to-face encounter for recertification, and on quality reporting measures.

Proposed Rule Details

This rule would implement the third year of the BNAF phase-out. The BNAF was implemented in 1997, when the former Health Care Financing Administration (HCFA), now CMS, moved from an outdated wage index to a more current and accurate method for determining hospice payments. To minimize disruption to services during the transition, a special budget neutrality adjustment was applied. In FY 2010 rulemaking, CMS adopted a schedule to phase out the BNAF over seven years, reducing it by 10 percent in FY 2010, 15 percent in FY 2011, and will continue with successive 15 percent reductions from FY 2012 through FY 2016.

A proposal to revise how CMS calculates each hospice's yearly aggregate cap is also in this notice. Federal law requires that CMS impose a limit on the aggregate Medicare payments a hospice provider receives annually. CMS calculates each hospice's aggregate cap by multiplying the patients served by the hospice in a year by a per-patient cap amount. Medicare payments made to a hospice during the year that exceed the hospice's aggregate cap must be refunded to Medicare.

In this rule, CMS proposes to:

- Change the way it counts hospice patients for the 2012 cap and beyond. The proposed policy for counting the number of Medicare hospice beneficiaries for a given cap year calculates the cap based on the days of care the patient received in that cap year for each hospice. This rule also proposes that the new counting method be applied to past years in certain instances.
- Allow hospice providers who do not want a change in their patient counting method to elect to continue using the current methodology.
- Remove the limitation from the CY 2011 Home Health Prospective Payment System's Final rule that requires the hospice physician who performs the face-to-face encounter and attests to that encounter be the same physician who certifies the patient's terminal illness.
- Implement the first phase of hospice quality reporting by proposing quality measures and a timeframe for reporting. The proposed measures include one item endorsed by the National Quality Forum related to pain management and one structural measure related to participation in specific Quality Assessment and Performance Improvement (QAPI) programs.

As proposed, hospices would be required to begin collecting quality data in October 2012, and would submit the data in 2013; hospices may also voluntarily begin collecting in October 2011 for submission in 2012. Hospices failing to report quality data in 2013 would have their market basket update reduced by two (2) percentage points in FY 2014.

- The comment period for the proposed hospice rule ends on June 27, 2011.

The proposed rule is now on display today at the Office of the *Federal Register's Public Inspection Desk* and will also be available under "Special Filings," at www.ofr.gov/inspection.aspx?AspxAutoDetectCookieSupport=1

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