

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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- [“Centers for Medicare & Medicaid Services \(CMS\) Electronic Mailing Lists: Keeping Health Care Professionals Informed”](#) Fact Sheet, ICN 006785, Downloadable only.

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Related CR Transmittal #: R2766CP

Implementation Date: October 7, 2013

## Update to Hospice Payment Rates, Hospice Cap, Hospice Wage Index, Quality Reporting Program, and the Hospice Pricer for Fiscal Year 2014

### Provider Types Affected

This MLN Matters® Article is intended for hospices submitting claims to Medicare contractors (Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and Home Health and Hospice Medicare Administrative Contractors (HHH MACs)) for services provided to Medicare beneficiaries.

### Provider Action Needed

The Centers for Medicare & Medicaid Services (CMS) issued Change Request (CR) 8416 to update the hospice payment rates, hospice wage index, Pricer for Fiscal Year (FY) 2014, and hospice cap amount for the cap year ending October 31, 2013. Be sure your billing staffs are aware of these changes, which are described in the Background section below.

### Background

The law governing the payment for hospice care requires annual updates to the hospice payment rates, and the Social Security Act (Section 1814(i)(1)(C)(ii); see [http://www.ssa.gov/OP\\_Home/ssact/title18/1814.htm](http://www.ssa.gov/OP_Home/ssact/title18/1814.htm) on the Internet) stipulates that the payment

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rates for hospice care for Fiscal Years (FYs) after 2002 will increase by the market basket percentage increase for the FY. This payment methodology has been codified in regulations found at 42 CFR 418.306(a)&(b). Therefore, the Centers for Medicare & Medicaid Services (CMS) annually updates the payment rates for hospice care, the hospice aggregate cap amount, and the hospice wage index.

### *Hospice Aggregate Cap*

The Hospice Aggregate Cap amount is updated annually in accordance with the Social Security Act (Section 1814(i)(2)(B)) and provides for an increase (or decrease) in the hospice cap amount. Specifically, the cap amount is increased or decreased for accounting years after 1984 by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the Consumer Price Index for all Urban Consumers.

### *Hospice Wage Index*

The Hospice Wage Index is used to adjust payment rates to reflect local differences in wages according to the revised wage index. The Code of Federal Regulations (42 CFR 418.306(c)) requires that the updated hospice wage index be published annually. The August 6, 2009, FY 2010 Hospice Wage Index final rule finalized a provision to phase out the Budget Neutrality Adjustment Factor (BNAF) over seven years, with a 10 percent reduction in the BNAF in FY 2010 and an additional 15 percent reduction in each of the next six years with complete phase out in FY 2016.

The Affordable Care Act (Section 3004; see <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf> on the Internet) amended the Social Security Act to authorize a quality reporting program for hospices. The Social Security Act (Section 1814(i)(5)(A)(i)) requires that beginning with FY 2014 and each subsequent FY, the Secretary shall reduce the market basket update by 2 percentage points for any hospice that does not comply with the quality data submission requirements with respect to that FY.

The annual hospice payment updates will be implemented through the Hospice Pricer software found in the intermediary standard systems. The new Pricer module will not contain any new calculation logic, but will simply apply the existing calculation to the updated payment rates shown below. An updated table will be installed in the module, to reflect the FY 2014 hospice wage index.

### *FY 2014 Hospice Payment Rates*

The FY 2014 payment rates will be the FY 2013 payment rates, increased by 1.7 percent, which is the final hospital market basket update for FY 2014 (2.5 percent) less a productivity adjustment of 0.5 percentage point, less 0.3 percentage point. The FY 2014 hospice payment rates are effective for care and services furnished on or after October 1, 2013, through September 30, 2014. See Table 1 below titled "FY 2014 Hospice Payment Rates Updated by the estimated Hospice Payment Update Percentage."

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Table 1: FY 2014 Hospice Payment Rates Updated by the Estimated Hospice Payment Update Percentage

Revenue Code	Description	FY 2013 Payment Rates	Multiply by the FY 2014 final hospice payment update of 1.7 percent	FY 2014 final Payment Rate	Labor Share of the final payment rate	Non-Labor share of the final payment rate
651	Routine Home Care	\$153.45	x1.017	\$156.06	\$107.23	\$48.83
652	Continuous Home Care Full Rate = 24 hours of care \$=37.95 hourly rate	\$895.56	x1.017	\$910.78	\$625.80	\$284.98
655	Inpatient Respite Care	\$158.72	x1.017	\$161.42	\$87.38	\$74.04
656	General Inpatient Care	\$682.59	x1.017	\$694.19	\$444.35	\$249.84

Beginning in FY 2014, hospices which fail to report quality data will have their market basket update reduced by 2 percentage points. See Table 2 below titled "Hospice Payment Update Percentage for Hospices That DO NOT Submit the Required Quality Data."

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Table 2: Hospice Payment Update Percentage for Hospices That DO NOT Submit the Required Quality Data

Revenue Code	Description	FY 2013 Payment Rates	Multiply by the FY 2014 final hospice payment update of 1.7 percent minus 2 percentage points (-0.2)	FY 2014 final Payment Rate	Labor Share of the final payment rate	Non-Labor share of the final payment rate
651	Routine Home care	\$153.45	x0.997	\$152.99	\$105.12	\$47.87
652	Continuous Home Care Full Rate= 24 hours of care \$=37.20 hourly rate	\$895.56	x0.997	\$892.87	\$613.49	\$279.38
655	Inpatient Respite Care	\$158.72	x0.997	\$158.24	\$85.66	\$72.58
656	General Inpatient Care	\$682.59	x0.997	\$680.54	\$435.61	\$244.93

### Hospice Cap

The latest hospice cap amount for the cap year ending October 31, 2013, is \$26,157.50. In computing the cap, CMS used the medical care expenditure category of the March 2013 Consumer Price Index for all Urban consumers, which was 424.154. This index is published by the Bureau of Labor Statistics and is available at <http://www.bls.gov/cpi/home.htm> on the Internet.

The hospice cap is discussed further in the "Medicare Benefit Policy Manual" (Publication 100-02, Chapter 9, "Coverage of Hospice Services Under Hospital Insurance," Section 90, Caps and Limitations on Hospice Payments," which is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c09.pdf> on the CMS website.

### Other Key Point

The FY 2014 Hospice Wage Index final rule will be effective October 1, 2013, and it will be published in the Federal Register before that date. The revised wage index and payment rates will be incorporated in the hospice Pricer and forwarded to Fiscal Intermediaries (FIs) following publication of the wage index final rule.

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## Additional Information

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The official instruction, CR8416, issued to your Medicare contractor regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2766CP.pdf> on the CMS website.

If you have any questions, please contact your Medicare contractor at their toll-free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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