

Value-Based Insurance Design (VBID) Model

CY 2021 Hospice Benefit Component Payment Methodology

Office of the Actuary, CMS

Center for Medicare & Medicaid Innovation, CMS



Agenda

- Hospice Capitation Rate Development & Payment Structure
- Walk-through of CY 2021 Hospice Benefit Component Data Book
- Timeline
- Question and Answer

Current Fee-For-Service (FFS) Medicare Hospice Benefit: Payment Structure and Historical Experience

Hospice Per Diem Rates

Code	Description	Fiscal Year (FY) 2018		FY 2020
		Percent of Days by Level of Care*	Payment Rate**	Payment Rate*
651	Routine Home Care (RHC) (Days 1 – 60)	98.2%	\$192.78	\$194.50
651	RHC (Days 61+)		\$151.41	\$153.72
652	Continuous Home Care (CHC) Full Rate = 24 hours of care	0.2%	\$976.42 \$40.68 per hour	\$1,395.65 \$58.15 per hour
655	Inpatient Respite Care (IRC)	0.3%	\$172.78	\$450.10
656	General Inpatient Care (GIP)	1.3%	\$743.55	\$1,021.25

Notes: Hospices that do not report quality data receive a 2 percentage point reduction in their annual payment update. The base hospice experience includes impact of Service Intensity Add-on (SIA). Out of network hospice must be reimbursed at FFS rates.

* Rate before sequestration: Medicare Program; FY 2020 Hospice Wage Index and Payment Rate Update and Hospice Quality Reporting Requirements. (CMS-1714-F).

<https://www.govinfo.gov/content/pkg/FR-2019-08-06/pdf/2019-16583.pdf>

**Rate before sequestration: Medicare Program; FY 2018 Hospice Wage Index and Payment Rate Update and Hospice Quality Reporting Requirements. (CMS-1675-F).

<https://www.govinfo.gov/content/pkg/FR-2017-08-04/pdf/2017-16294.pdf>

National Experience

Year	Bene Count	Stay Count	Stay Month Count	Hospice FFS Payment Per Beneficiary Per Month (PBPM)	Non-Hospice FFS Payment During Hospice PBPM	Non-Hospice FFS Payment Post Live-Discharge through End of the Month PBPM	Total (Hospice + Non-Hospice) FFS Payment PBPM
2016	1,192,901	1,238,164	3,043,655	\$3,565	\$133	\$188	\$3,887
2017	1,246,851	1,295,773	3,209,859	\$3,604	\$134	\$190	\$3,928
2018	1,291,063	1,342,685	3,396,175	\$3,655	\$136	\$195	\$3,986

Notes: The national experience reflects hospice benefit periods that begin in each of the calendar years. The payment fields are after sequestration and before impact of inpatient cap and provider aggregate cap.

National Experience (cont.)

Year	Stay Month Count	Service Days PBPM	RHC Days PBPM	IRC Days PBPM	GIP Days PBPM	CHC Days PBPM
2016	3,043,655	19.81	19.22	0.07	0.45	0.07
2017	3,209,859	19.83	19.28	0.07	0.42	0.06
2018	3,396,175	20.06	19.56	0.07	0.38	0.05

Note: The national experience reflects hospice benefit periods that begin in each of the calendar years.

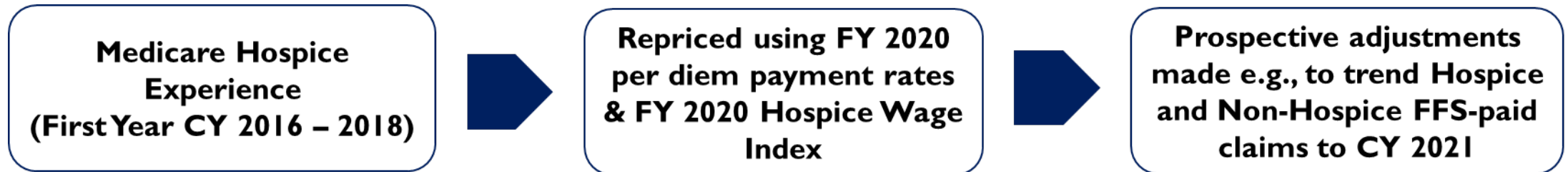
Hospice Capitation Rate Development & Payment Structure

Hospice Capitation Rate Overview

- CMS developed a hospice capitation rate generally modeled on Medicare Advantage (MA) rate setting policies:
 1. Use of base experience for multiple years
 2. Localized rates developed through use of “Average Geographic Adjustment”
 3. Base data trended to contract year
- Unlike MA, hospice capitation payments will not be risk adjusted
- Hospice capitation rates were developed to be budget neutral to current state
- To mirror the model timeline, only hospice stays that began in a calendar year were included

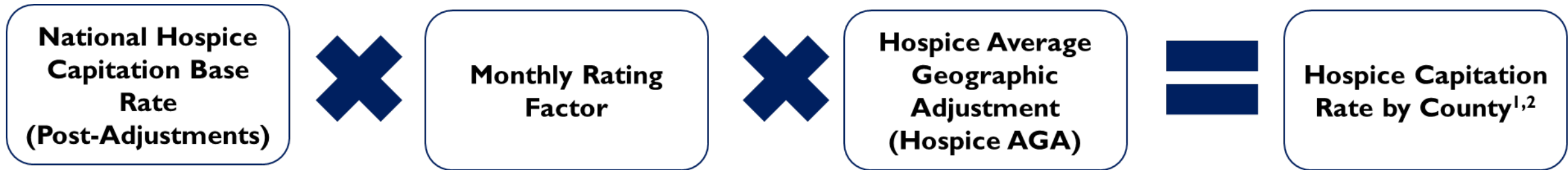
Hospice Capitation Rate Overview (cont.)

- The hospice capitation rate reflects all FFS costs – both Hospice and Non-Hospice FFS Payments – that CMS paid while a beneficiary elected the hospice benefit and to the end of the month post-live discharge, as applicable
- CMS utilized first year CY 2016-2018 data for beneficiaries in FFS and MA who elected hospice, and Hospice FFS-paid claims were repriced using FY 2020 per diem payment rates for RHC, CHC, IRC and GIP levels of care and FY 2020 Hospice Wage Index
- Prospective adjustments were made to trend Hospice and Non-Hospice FFS-paid claims to CY 2021



Hospice Capitation Rate Overview (cont.)

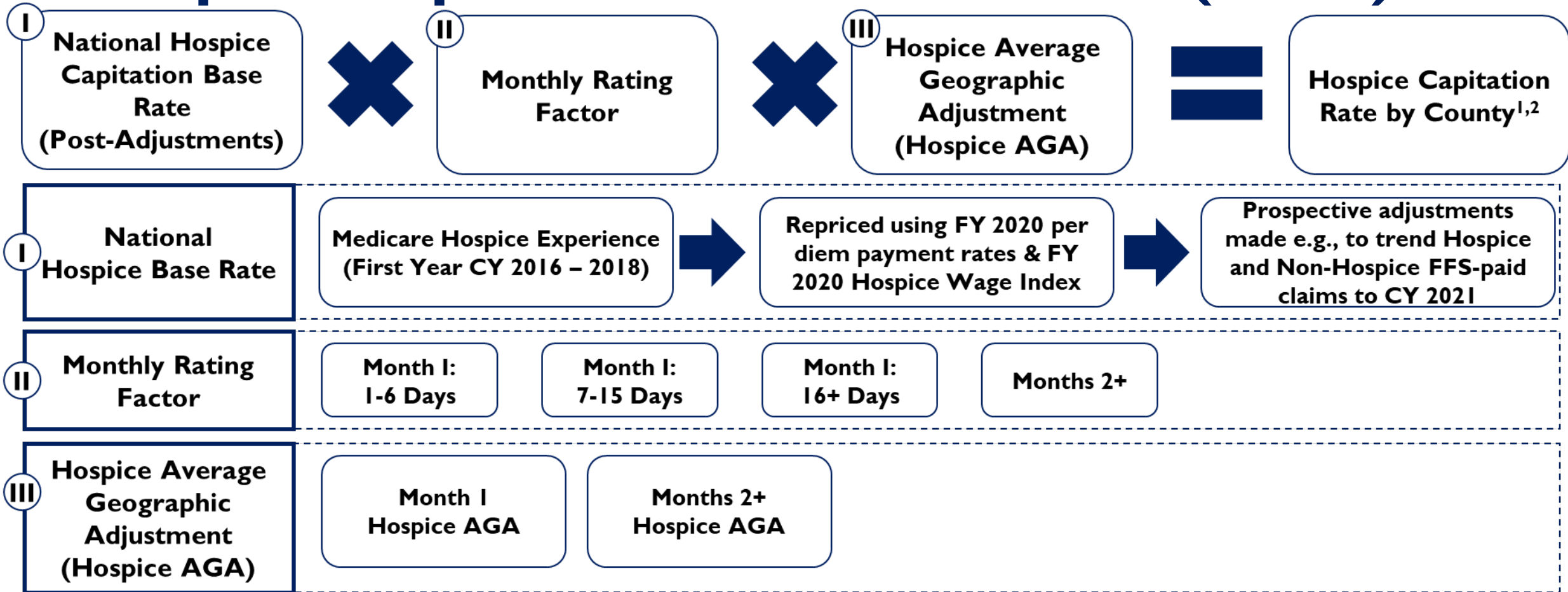
- The rating structure has two rating factors: **an area factor & monthly rating factor**
- **Area factor:** Adjustment for each Hospice Wage Index area by a hospice-specific average geographic adjustment similar to the MA Average Geographic Adjustment (AGA) (“hospice AGA”) to result in an adjusted monthly hospice capitation rate
- **Monthly rating factor:** Adjustment for the first month only to better reflect first month beneficiary experience in hospice



¹ Current law sequestration will be applied.

² For Month 1 only, a days-in-month adjustment is applied to each county rate.

Hospice Capitation Rate Overview (cont.)



¹ Current law sequestration will be applied.

² For Month 1 only, a days-in-month adjustment is applied to each county rate.

MAO Hospice Capitation Rate Overview

- MAOs participating in the Model will be paid a separate monthly capitation rate for enrollees that elect hospice
 - Payment of MA rebate amount and monthly prescription drug payment (if offering prescription drug coverage) will continue
- Claims processing costs will be built into the rates similar to the MA rate book
- A county-by-county rate book, based on a national capitation rate and adjusted by a hospice-specific average geographic adjustment, will be provided in April 2020

CMS Initial Rate Development Process

		2016	2017	2018
	Stay Months ¹	3,043,655	3,209,859	3,396,175
Hospice FFS Payments				
(a)	Actual Per Member Per Month (PMPM)	\$3,565	\$3,604	\$3,655
(b)	Calculated Using Service Days & Historical Per Diems	\$3,532	\$3,579	\$3,635
(c) = (a) / (b)	True-up Adjustment	1.009	1.007	1.006
(d)	Calculated Using Service Days and FY 2020 Per Diems	\$3,898	\$3,868	\$3,865
(e)	Claim Completion Adjustment ²	1.000	1.000	1.000
(f) = (d) x (c) x (e)	Calculated FY 2020 x True-up x Claim Completion	\$3,937	\$3,898	\$3,890
(g) = (f) x 0.98	Calculated FY 2020 x True-up x Claim Completion x Sequestration ³	\$3,858	\$3,820	\$3,812
(h)	Per Diem Trend from FY 2020 to CY 2021 ⁴	1.038	1.038	1.038
(i)	Service Mix Change ⁵	1.000	1.000	1.000
(j)	Hospice Provider Aggregate Cap Adjustment ⁵	0.990	0.990	0.990
(k) = (j) x (i) x (h) x (g)	CY 2021 Hospice FFS Payment	\$3,964	\$3,925	\$3,917

¹ The stay month reflects the calendar month of coverage for a beneficiary enrolled in Medicare

² CY 2018 completion factor set to 1.00 as a placeholder until data becomes available

³ FY 2020 Per Diems used in repricing were gross sequestrations; multiplied by 0.98 factor to net out sequestration

⁴ Related trend a placeholder from the CMS inpatient hospital market basket data and Bureau of Labor Statistics (BLS) multifactor productivity (MFP) adjustment

⁵ Placeholder assumption; the need for and the magnitude of the assumption under investigation

CMS Initial Rate Development Process (cont.)

		2016	2017	2018
	Stay Months	3,043,655	3,209,859	3,396,175
CY 2021 Non-Hospice FFS Payments				
(l)	Actual PMPM	\$321	\$324	\$331
(m)	Non-ESRD FFS United States per capita cost (USPCC) Trend to CY 2021	1.200	1.176	1.140
(n) = (l) x (m)	CY 2021 Non-Hospice FFS Payments	\$385	\$381	\$378
CY 2021 Hospice FFS Payments + Non-Hospice FFS Payments				
(o) = (k) + (n)	CY 2021 Hospice FFS Payments + Non-Hospice FFS Payments	\$4,349	\$4,306	\$4,294
(p)	Straight Average ⁶			\$4,316
Top Side Adjustments				
(q)	Administrative Load Factor			1.0009
(r) = [(p) x (q)] / 0.98	CY 2021 Composite National Hospice Capitation Rate⁷			\$4,409

⁶ Calculated as the simple average of CY 2016-2018 consistent with the approach used in the MA benchmark development

⁷ Grossed up for sequestration; final rates will reflect small adjustment for the National Medicare Education Campaign (NMEC) user fee

Trend Factors & Future Year Rebasing

- Hospice FFS-paid experience repriced to FY 2020 per diems
- Hospice FFS-paid claims trended from FY 2020 to CY 2021 using estimate of per diem change
- Non-Hospice FFS-paid claims trended to CY 2021 using FFS USPCC growth rate

CY 2021 Monthly Hospice Rating Factors

- Monthly rating factor applied so that the aggregate rate across the expected stay month distribution equals the Composite National Rate
- The Month 2+ rate (with a monthly rating factor of 1.00) is referred to as the National Hospice Capitation Base Rate

	Hospice Enrollment in Month 1	Average Monthly Service Days	Distribution of Stay-months	Monthly Rating Factor ¹	Gross Monthly Base Rate
Month 1	1-6 Days	3.28	17%	0.34	\$1,764
	7-15 Days	10.51	12%	0.64	\$3,320
	16+ Days	22.58	11%	1.02	\$5,291
Month 1 Composite		10.85	40%	0.62	\$3,217
Month 2+		26.09	60%	1.00	\$5,187 ²
CY 2021 Composite National Hospice Capitation Rate		20.06	100%	0.85	\$4,409

¹ Bold numbers are the Monthly Factors. The values for Month 1 Composite and Composite are based on the distribution of Stay-Months

² National Hospice Capitation Base Rate

CY 2021 Month 1 Base Capitation Payment



*Risk-adjusted and consistent with current law; for only the month in which an enrollee elects hospice

- For the first month of hospice coverage, MAOs will receive the risk-adjusted A/B capitation payment, the MA rebate amount, and monthly prescription drug payment, (if offering prescription drug coverage)
- For the first month of hospice coverage, MAOs will also receive a capitation payment tied to the number of Month 1 days of hospice enrollment a beneficiary has
- Three different experience adjustments will apply:

Days in Month 1	Base Rate
1 – 6	\$1,764
7 – 15	\$3,320
16+	\$5,291

CY 2021 Months 2+ Base Capitation Payment



For hospice stays that occur in a second calendar month and on (Months 2+), MAOs will receive a monthly hospice capitation payment, the MA rebate amount, and monthly prescription drug payment, if offering prescription drug coverage

Month 2 and Later	Base Rate
Monthly Capitation	\$5,187

Hospice Average Geographic Adjustment

$$\text{Hospice AGA}_{\text{CBSA_State}} = \frac{(\text{Historical Hospice and Non-Hospice FFS-Paid Claims})_{\text{CBSA_State}}}{(\text{Historical Hospice and Non-Hospice FFS-Paid Claims})_{\text{National}}}$$

Note: There will be a separate area factor for Month 1 and Months 2+ to reflect use of the monthly rating factor and significant variation in utilization of service between Month 1 and Months 2+ by CBSA.

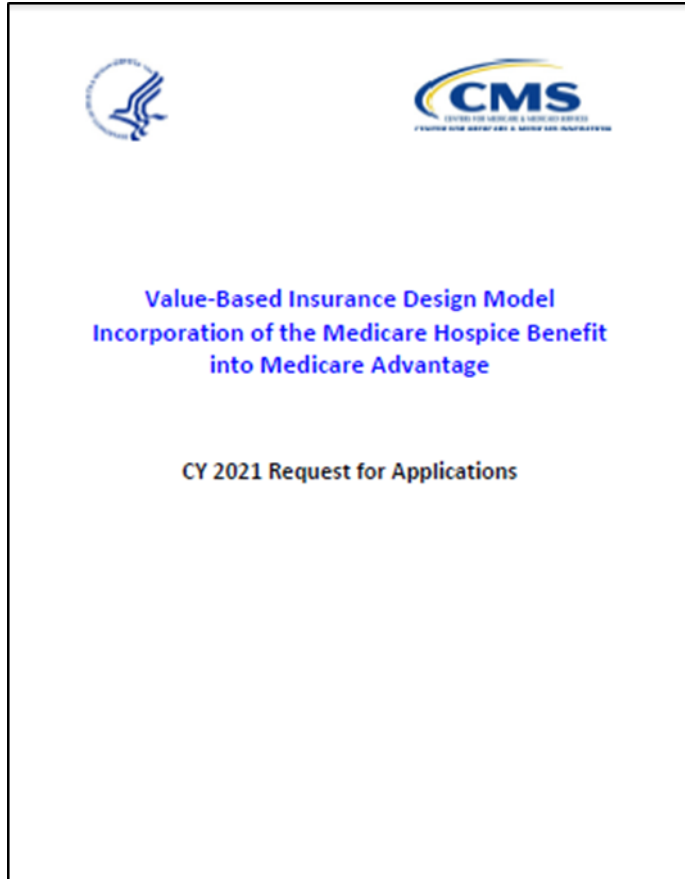
Hospice-specific Supplemental Benefits

- Treatment similar to other supplemental benefits
- Certifying actuary has discretion to include or exclude the hospice membership from both mandatory supplemental and optional supplemental benefits where applicable
- Examples of hospice-specific supplemental benefits include:
 - Additional coverage of primarily and non-primarily health related items to ameliorate functional and/or psychological impact of hospice enrollees' health conditions and reduce avoidable emergency and inpatient utilization
 - Temporary coverage of room and board in a residential facility as determined by a beneficiary's need for custodial and activities of daily living care without a caregiver or other residence to discharge to

Bid and BPT Considerations

- Hospice capitation payments and claims for hospice and non-hospice A/B benefits for beneficiaries while in hospice status should be excluded from the MA bid pricing tool, similar to non-VBID plans
- Added new PBP Category 19c – Hospice VBID
 - Beneficiary liability for coinsurance for hospice care (*could be waived*)
 - Prescription drug coinsurance of 5%, with maximum of \$5 per script received when receiving continuous or routine home care
 - 5% coinsurance for payment made by Medicare for IRC
 - Hospice-specific supplemental benefits

Request for Applications



Now Available:

CY 2021 Request for Applications (RFA) for the Hospice Benefit Component

Access the RFA on the model website at the link below.

<https://innovation.cms.gov/Files/x/vbid-hospice-rfa2021.pdf>

Next Steps

- Attend CMS technical assistance events and office hours
- Submit initial application and interest to CMS by **April 2020**
- Review release of hospice-specific county-level rate book in **April 2020**
- Finalize Model participation by **May 1, 2020 (after rate book is available)**
- Receive provisional approval in **May 2020**
- Submit MA Bids, due **June 1, 2020**

Thank you!

CMS welcomes feedback and engagement from all stakeholders.

Please engage directly with us by emailing us at: VBID@cms.hhs.gov