

Value-Based Insurance Design (VBID) Model

Office Hours: CY 2021 Hospice Benefit Component Payment Design Part II

Office of the Actuary, CMS

Center for Medicare & Medicaid Innovation, CMS



Agenda

- Payment Structure of the Hospice Benefit Component
- Overview of the Hospice Capitation Rate Development
- Overview of Key Changes from the CY 2021 Proposed Hospice Capitation Payment Rate Actuarial Methodology
- Next Steps
- Question and Answer

Model Component's Payment Design



For all enrollees who elect hospice care:

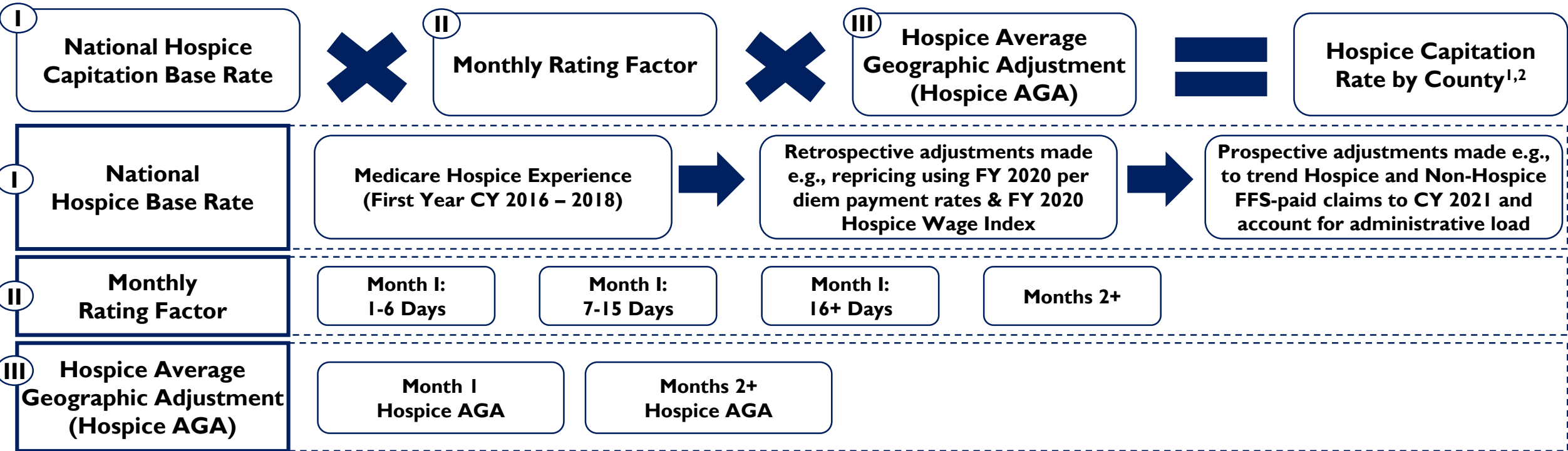
- For the first month of hospice coverage (“Month 1”), participating MA Organizations (MAOs) will receive a risk-adjusted A/B capitation payment,¹ the MA rebate amount, monthly prescription drug payment (if offering prescription drug coverage) and a hospice capitation payment
 - Month 1 hospice capitation payments will be made in a lump-sum on a quarterly basis
- For hospice stays that occur in a second calendar month and on (“Months 2+”), participating MAOs will receive a monthly hospice capitation payment, the MA rebate amount, and monthly prescription drug payment (if offering prescription drug coverage) prospectively

¹Risk-adjusted and consistent with current law; only paid during Month 1 if as of the first of the month, an enrollee is not under hospice election status

Policy Objectives of Hospice Capitation Rates

- Ensure rates are budget neutral relative to pre-Model costs
- Ensure accuracy of rates while moving from four-level per diem payment structure to a monthly capitation rate
- Create a clear, simple and transparent payment structure
- Align payment structure with Model component goals
- Develop rates for the hospice capitation payment consistent with Medicare Advantage (MA) benchmark development

Overview of the Hospice Capitation Rate Development



¹ Current law sequestration will be applied.

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

Monthly 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	16%	0.34	\$1,784
	7-15 Days	10.52	12%	0.64	\$3,359
	16+ Days	22.62	11%	1.02	\$5,353
Month 1 Composite		10.90	39%	0.62	\$3,262
Month 2+		26.17	61%	1.00	\$5,248 ²
CY 2021 Composite National Hospice Capitation Rate ³		20.17	100%	0.85	\$4,468

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

³ Prior to Provider Cap Adjustment

Hospice Average Geographic Adjustment

The Hospice Average Geographic Adjustment (AGA):

- Accounts for regional variation in claims at the Core Based Statistical Area (CBSA) level
- Emulates the MA AGA, which is the ratio of the area-specific spending to the national average
- For CY 2021, calculated using the average of the 2021 projected cost for each of the three experience years
- Has a separate value for Month 1 and Month 2+ because of the differences in utilization of services and length of stay by CBSAs
 - Month 1 Hospice AGA is adjusted to account for the difference in Month 1 rating tier distribution between the CBSA and national distribution (“Month 1 Tier Adjustment”)
 - Month 2+ Hospice AGA is adjusted to recognize the impact by CBSA of the Hospice Provider Inpatient and Aggregate Caps

Month I Tier Adjustment

Added a Month I Tier Adjustment to account for CBSA differences in the distribution of stay months by Month I tier compared to the national distribution

Illustrative Example:

Rate Tier: Days in Month I	Monthly Rating Factor	National Distribution of 2018 Month I Stay Months	CBSA 48424* Distribution of 2018 Stay Months
1-6 Days	0.3400	41.8%	51.1%
7-15 Days	0.6400	30.0%	26.9%
16+ Days	1.0200	28.2%	21.9%
Stay Month Weighted Composite Factor (Month I Tier Distribution Factor)		0.6215	0.5700
Month I Hospice AGA Tier Adjustment (CBSA Month I Tier Dist. Factor/ National Month I Tier Dist. Factor)			0.9173

* CBSA 48424 Description: West Palm Beach-Boca Raton-Delray Beach, FL

Recognition of Hospice Provider Caps

- Claims data supporting rate development are before application of aggregate and inpatient provider caps for related services
- Hospice Aggregate Cap places limit on average annual per-capita cost for each hospice provider
 - First-year impact of Hospice Aggregate Cap was applied as a percentage of Hospice FFS-paid claims for Month 2+ to all experience years for the given CBSA
- Hospice Inpatient Cap limits percentage of days for General Inpatient Care
 - First-year impact of Hospice Inpatient Cap was applied to Hospice FFS-paid claims in three CBSAs that showed consistency year-to-year in amount & in the providers that had these recoveries
- Combined impact of both provider caps on the final rates for CY 2021 was an average reduction of 0.74% (the median impact is 0.07%)

Other Refinements for Pricing Accuracy

Since the release of the CY 2021 proposed methodology, the **CY 2021 Gross National Composite Rate increased by 0.6%** due to below changes in response to comments from stakeholders, availability of additional data and refinements for pricing accuracy:

- As discussed, the Month 1 Tier Adjustment and recognition of hospice provider caps
- Credibility calculation correction & methodology revision for newly-identified low-volume CBSAs
- Service Day Utilization and Intensity Adjustment to account for year-over-year changes, including increased length of stay and decreased use of higher intensity services
- Updates due to CY 2021 Rate Announcement: (1) trend factors for the Non-Hospice FFS-paid claims were updated using the FFS United States per capita cost (USPCC) and (2) administrative load
- Incorporation of operational rules in pricing to more accurately account for the number of stay months across stay gaps (i.e., between live discharge and re-enrollment)
- Claim completion factors determined

CY 2021 Hospice Capitation Ratebook

Code	State	County Name	Month 1 Days 1-6	Month 1 Days 7-15	Month 1 Days 16+	Month 2+
01000	AL	AUTAUGA	1,332.43	2,508.11	3,997.30	4,633.51
01010	AL	BALDWIN	1,449.90	2,729.23	4,349.71	4,556.35
01020	AL	BARBOUR	1,478.73	2,783.50	4,436.20	4,753.53
01030	AL	BIBB	1,479.86	2,785.62	4,439.58	4,803.71
01040	AL	BLOUNT	1,479.86	2,785.62	4,439.58	4,803.71
01050	AL	BULLOCK	1,478.73	2,783.50	4,436.20	4,753.53
01060	AL	BUTLER	1,478.73	2,783.50	4,436.20	4,753.53
01070	AL	CALHOUN	1,341.18	2,524.57	4,023.53	4,954.37

Note: All rates are gross of sequestration

Next Steps

- Review resources, including CY 2021 hospice capitation ratebook and final actuarial methodology, on VBID Model webpage: <https://innovation.cms.gov/initiatives/vbid/>
- VBID Applications to CMS by **April 24, 2020**
- Receive provisional approval in **May 2020**
- Submit MA Bid submissions, due **June 1, 2020**

Q&A

Thank you!

CMS welcomes feedback and engagement from all stakeholders.

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