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Final wage index changes for Medicare hospices increase FY 2012 payments by 2.5%

Final rule aims to improve patient access, quality of care

Hospices serving people with Medicare will see a 2.5 percent increase in their Medicare payments for fiscal year (FY) 2012, according to a final regulation released today by the Centers for Medicare & Medicaid Services (CMS). Hospices are also called upon to begin reporting on the quality of care received by Medicare patients, as a result of this final regulation.

The estimated hospice payments are the net result of a 3.0 percent increase in the “hospital market basket,” an indicator of industry-related 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 a wage index budget neutrality adjustment factor (BNAF).

The final rule also implements Affordable Care Act requirements, including a hospice quality reporting program, and clarifies previously adopted policies on hospice face-to-face certifications, said Jonathan Blum, deputy administrator and director of CMS’ Center for Medicare. “These payment and policy changes and additional attention to quality will work to encourage better coordination of hospice benefits and fair payments to Medicare hospice providers.”

Final Rule Details

This final rule continues the BNAF phase-out, now in its third year. The BNAF was implemented in 1997, when the former Health Care Financing Administration (HCFA), now CMS, moved from an outdated wage index to a more current and accurate method for determining hospice payments.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 successive 15 percent reductions from FY 2012 through FY 2016.

The final rule revises how CMS calculates each hospice’s yearly aggregate cap. 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 number of

patients served by the hospice in a cap year by a cap amount. Medicare payments made to a hospice during the cap year that exceed the hospice's aggregate cap must be refunded to Medicare.

In this final rule, CMS will:

- Change the way it counts hospice patients for the 2012 cap accounting year and beyond. The final policy for counting the number of Medicare hospice beneficiaries in care for a given cap year calculates the cap based on the number of days of care the patient received in that cap year for each hospice. This rule also finalized that the new counting method be applied to past cap 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 method.
- Allow any hospice physician to perform the face-to-face encounter regardless of whether that same physician recertifies the patient's terminal illness and composes the recertification narrative.
- Implement a hospice quality reporting program, which includes a timeframe for reporting, as required by section 3004 of the Affordable Care Act. The measures that are being adopted in this final rule for the FY 2014 program are one measure endorsed by the National Quality Forum related to pain management and one structural measure that assesses whether a hospice administers a Quality Assessment and Performance Improvement (QAPI) program that contains at least three indicators related to patient care.

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

Information on the final hospice wage index payment and policy changes and other healthcare news can also be found on a new web portal, www.healthcare.gov, made available by the U.S. Department of Health and Human Services. A link to the final rule, which will be published in the *Federal Register* on August 4, 2011, along with accompanying documents will be available at <http://www.federalregister.gov/inspection.aspx>.