



Hospice: Healthcare that Cares More and Costs Less

- Hospice care is part of the solution for patients and families, and is a model of cost-efficient and high-quality health care delivery.
- More than 1.4 million patients with a life-limiting illness received services from the nation's hospice providers last year, with more than 98% of served families willing to recommend hospice to others.
- Hospice is a Medicare cost saver. In 2007, an independent, Robert Wood Johnson Foundation-funded study by Duke University¹ found that hospice reduced Medicare costs by \$2,300 per patient, amounting to more than \$2 billion in savings per year.
- Research shows that costs in the last week of life can be reduced by one-third when people facing a life-limiting illness have discussions with their physician about end-of-life care preferences².
- Research has also shown that hospice patients lived an average 29 days longer than similar patients who did not opt for hospice care³.
- Patients and families facing catastrophic and terminal illness could receive higher quality care, and the financial burden on the health care delivery system could be eased, if patients were able to receive timely access to hospice services at an earlier stage in their care⁴.

Current Threats to Hospice:

- With a final rule that went into effect on October 1, 2008, CMS began a three-year phase out of a key element in the Medicare hospice wage index, called the Budget Neutrality Adjustment Factor (BNAF), which ultimately will cut hospice payment rates by 4.1 percent, costing the nation's hospices more than \$2 billion over the first five years.
- Congress included a provision in the American Recovery & Reinvestment Act that delayed the rule until October 1, 2009. CMS has begun working on a revised rule.
- According to a June 2008 MedPAC report, hospice margins, in the aggregate, are only 3.4 percent, but many hospices, particularly smaller non-profits and those in rural areas, operate on negative margins and rely on fundraising to stay afloat.
- The hospice community, which relies on Medicare for over 80 percent of its revenues, simply cannot withstand a permanent 4.1 percent reduction in payment rates without having to reduce or eliminate certain services or limit service areas, which could deprive some Medicare beneficiaries of access to hospice services when the demand for these services is growing.
- Congress should encourage the Administration to permanently rescind the BNAF regulation.

1 <http://www.afceol.org/images/jamie/Background/duke%20cost%20study.pdf>

2 *Archive of Internal Medicine, March 2009*

3 <http://www.nhpco.org/files/public/JPSM/march-2007-article.pdf>

4 Hospice Recommendations for Health Reform,

http://www.nhpco.org/files/public/public_policy/Hospice_Health_Reform%20Outline_for_Members.pdf