



Highlights of [GAO-05-42](#), a report to the Committee on Finance, U.S. Senate, and the Committee on Ways and Means, House of Representatives

### Why GAO Did This Study

The Medicare hospice benefit provides care to patients with a terminal illness. For each patient, hospices are paid a per diem rate corresponding to one of four payment categories, which are based on service intensity and location of care. Since implementation in 1983, the payment methodology and rates have not been evaluated. The Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 directed GAO to study the feasibility and advisability of updating Medicare’s payment rates for hospice care. In this report, GAO (1) compares freestanding hospices’ costs to Medicare payment rates and (2) evaluates the appropriateness of the per diem payment methodology. Because of Medicare data limitations, it was not possible to compare actual payments to costs or examine the services provided to each patient.

### What GAO Recommends

GAO recommends that the Administrator of the Centers for Medicare & Medicaid Services (CMS) collect comprehensive, patient-specific utilization and cost data on hospice visits and services, and using these data, determine whether modifications to the payment methodology are needed, including any adjustments needed for small providers. CMS stated that it agreed with GAO’s recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-05-42](http://www.gao.gov/cgi-bin/getrpt?GAO-05-42).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Laura A. Dummit at (202) 512-7119.

## MEDICARE HOSPICE CARE

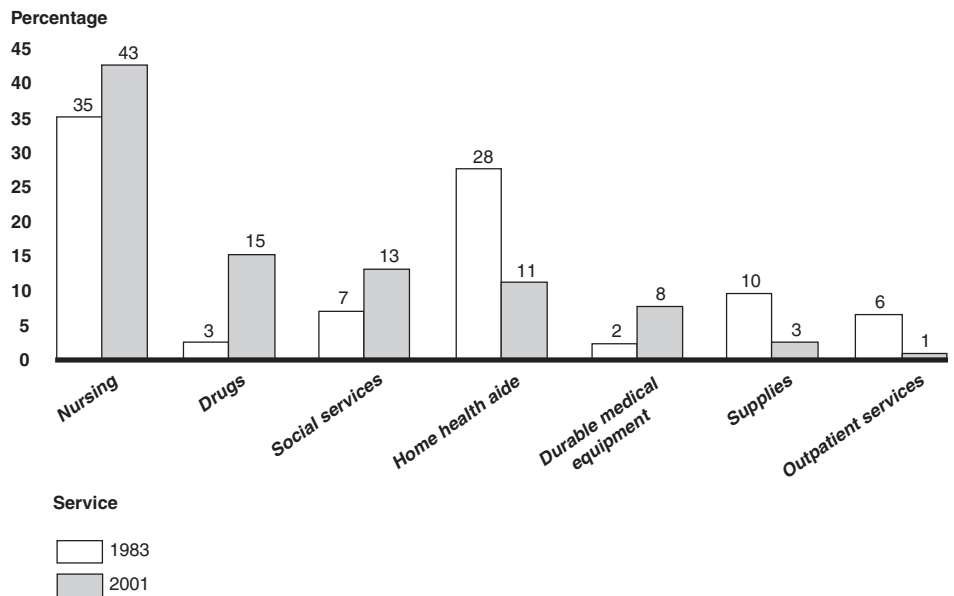
### Modifications to Payment Methodology May Be Warranted

#### What GAO Found

Using Medicare cost reports from freestanding hospices, GAO determined that the per diem payment rate for all hospice care was about 8 percent higher than the estimated average per diem cost of providing care in 2000, and over 10 percent higher in 2001. However, the relationship between payment rates and costs varied across the payment categories and types of hospices. For all hospice care provided in the home, which accounted for about 97 percent of care in 2001, GAO estimates that the per diem payment rate was almost 10 percent higher than average per diem costs in 2000, and over 12 percent higher in 2001. Small hospices, however, had higher estimated average per diem costs than medium or large hospices overall and for each of the four per diem payment categories in 2001.

GAO’s analysis indicates that the hospice payment methodology, with rates based on the historical mix and cost of services, a per diem amount that varies only by payment category, and a cap on total Medicare payments, may not reflect current patterns of care. For example, GAO determined that the relative costs of services, such as nursing care, provided during routine home care (RHC) have changed considerably since the rates were calculated. Using limited patient-specific hospice visit data, GAO found that more visits were provided during the first, and especially last, week of a hospice stay than during other times in the stay. Finally, few hospices reached the payment cap, which was intended to limit Medicare hospice spending.

Costs of Services Provided During RHC as a Percentage of Total RHC Costs, 1983 and 2001



Sources: GAO analysis of CMS data and 1983 hospice final rule (48 Fed. Reg. 56,008 (1983)).