

MedPAC to Congress: Freeze Hospice Rates in 2025

By Jim Parker | March 15, 2024

The Medicare Payment Advisory Commission (MedPAC) has recommended to Congress a freeze on hospice payment increases starting in 2025.

In its annual report to Congress, MedPAC urged policymakers to eliminate hospice base-rate increases for 2025.

“Based on the positive indicators of payment adequacy and strong margins, the Commission concludes that current payment rates are sufficient to support the provision of high-quality care without an increase to the payment rates in 2025,” MedPAC indicated in its report. “The Commission recommends that the Congress eliminate the update to the hospice base payment rates for fiscal year 2025.”

MedPAC commissioners maintained that hospice payment levels were “favorable,” due to increases in utilization and length of stay, sufficient access to capital, investor interest in the space and margin data.

The 2021 aggregated Medicare hospice margin was 13.3%, according to MedPAC. The commission projected an aggregate 2024 margin of 9%. However, these aggregated numbers do not reflect the sometimes significant differences in margins among individual providers, ranging from large, national companies to smaller, local nonprofits.

Also, estimating providers’ access to capital requires some guesswork.

“Continued growth in the number of for-profit providers (an increase of at least 10% in 2022) and reports of strong investor interest in the sector suggest that capital is available to these providers,” MedPAC indicated in its report. “Less is known about access to capital for nonprofit freestanding providers, for which capital may be more limited. Hospital-based and home health-based hospices have access to capital through their parent providers.”

Close to 5,900 hospices operated in the United States during 2022. Of those, 1,169 were nonprofits, a 1.4% decline from 2018.

Utilization is also on the rise. More than 49% of Medicare decedents enrolled in hospice care during 2022, up from 47.3% in 2021, the commission reported. Average lifetime length of stay increased close to three days in 2022, reaching 95.3. Median length of stay rose to 18 days in 2022, up from 17 days the prior year.

Congress is not obligated to act on these recommendations. Case in point, MedPAC for several years running has asked lawmakers to cut the hospice aggregate cap by 20%, but Congress and CMS have not followed suit. For the first time in years, MedPAC did not call for any changes to the payment cap.

The recommendation to curb hospice spending comes after a [March 2023 study](#) that found that hospice care generates roughly \$3.5 billion in Medicare savings for patients in the last year of life, a 3.1% reduction. Hospice stays that extended beyond six months generated the highest percentage of savings at 11%.

MedPAC's recommendation comes at a time when hospices are straining under the weight of inflation, rising labor costs and lingering pandemic headwinds.

For this year, CMS increased the hospice base rate by 3.1%. But, while welcoming the increase, providers and industry organizations have contended that the rate hike was insufficient relative to rising costs.

In comments on the proposed 2024 hospice payment rule, the National Hospice and Palliative Care Organization (NHPCO) estimated that operators would need a 6.5% increase to keep pace with inflation.

“At a time when costs have been increasing across the board and hospices are competing for a limited health care workforce, keeping hospice payments flat would put the squeeze on hospice providers even as patient demand for hospice care is expected to keep growing,” NHPCO COO and interim CEO Ben Marcantonio said in a statement. “In order to serve the American public, Congress should ensure hospice providers are reimbursed to provide the end-of-life care people want and deserve.”