HOSPICE CAP UPDATE; MANAGING CAP – ADDRESSING PROPOSED AND ANTICIPATED CHANGES

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Overview of the CAP

- One lifetime payment limit for each Medicare hospice beneficiary
  - Covers all hospices and all election periods
- Annual aggregate payments in excess of the limit are owed back
- Calculation appears simple, but once a liability is incurred, it becomes complicated
- Many hospices are unaware of CAP liabilities
  - Self-determined hospice cap report is not the "final" answer
  - CAP continues to evolve (decrease) as long as patient remains on service after the end of the CAP Year
  - Overpayments can resurface or increase for several years

Annual Payment CAP

- **Established in 1983 at $6,500 per, $30,683.93 for the 2021 CAP Year (October 1, 2020 – September 30, 2021) and $31,297.61 for the 2022 CAP Year (October 1, 2021 – September 30, 2022)**
- **Rules in Medicare Claims Processing Manual – Chapter 11, Section 80**
- **Applied in aggregate, not by patient**
- **CAP amount not regionalized (discriminatory in nature by application)**

Calculating the CAP

- **The CAP is calculated by securing beneficiary count and multiplying the beneficiary count by the annual beneficiary CAP.**
- **The beneficiary count is obtained through the CMS PS&R System.**

Beneficiary count (PS&R)	**164.45**
Applicable CAP (2021)	**$ 30,683.93**
2021 CAP	**$ 5,045,972.29**

- **The beneficiary count is determined on either the Proportional or Streamlined method.**

Proportional Method

- The Proportional Method allocates each patient's CAP across CAP Years and between hospices serving the respective patient.
- Assume Patient A was served 60 days by Hospice A in the 2020 CAP Year and was discharged by Hospice A. Hospice B admitted Patient A and served the patient 60 days in the 2020 CAP Year and 80 days in the 2021 CAP Year:

	Days		Total
	2020	2021	
Hospice A	60		60
Hospice B	60	80	140
	120	80	200
	Beneficiary Counts		Total
	2020	2021	
Hospice A	0.3		0.3
Hospice B	0.3	0.4	0.7
	0.6	0.4	1

Streamlined Method

- **The Streamlined Method is a hybrid method. The Hospice receives a full beneficiary count in the applicable CAP Year if the admission represents the initial hospice election by the patient (no previous hospice services). No sharing of the beneficiary CAP between CAP Years or multiple hospices.**
- **When a hospice patient is served by multiple hospices, the patient's beneficiary count is shared between hospices and CAP Years based on days of service.**
- **Approximately 17% of hospices remain on the Streamlined Method. These hospice can elect to transition to the Proportional Method. Hospices on the Proportional Method cannot elect the Streamlined Method.**
- **History (2011 Conversion Year).**

Streamlined Beneficiary Example

- Assume Hospice A has two patients. One patient was admitted (first election) in the 2019 CAP Year. The second patient was admitted in the 2019 CAP Year but had previous service with Hospice B.

	Days			
	2019 CAP Year	2020 CAP Year	2021 CAP Year	Total
Hospice A				
Patient 1	60	100	20	180
Patient 2	30	60	20	110
	90	160	40	290
Hospice B				
Patient 2	90			90
	Beneficiary Count			
	2019 CAP Year	2020 CAP Year	2021 CAP Year	
Hospice A				
Patient 1	1.0000	-	-	1.0000
Patient 2	0.1500	0.3000	0.1000	0.5500
	1.1500	0.3000	0.1000	1.5500
Hospice B				
Patient 2	0.4500			0.4500

CAP Liability

- **The CAP liability for self-reporting uses net payments (net of sequestration). However, the actual liability requires considering the sequestration as part of the total payment.**

Beneficiary count (PS&R)		**164.45**
Applicable CAP (2021)		**$ 30,683.93**
2021 CAP		**$ 5,045,972.29**
Net payments		**$ 5,131,213.42**
Gross payments		**$ 5,235,932.06**
Actual CAP Liability		**$ (189,959.77)**
Self-Reported CAP Liability		**$ (85,241.13)**

CAP Liability Process

- **Hospices are to submit a self-determined CAP liability ("CAP Report" to the MAC on or before five (5) months after the CAP Year end (February 28th).**
  - **The CAP Report uses net payments (after sequestration)?**
- **The MACs review the CAP Report:**
  - **NGS Method**
  - **Palmetto and CGS Method**
- **Notice of CAP Review is issued to the hospice**
- **The CAP liability calculation can be reviewed for three (3) years from the initial Notice or three (3) years from the date of the last Notice which indicated a revised CAP liability. Remember a CAP liability will continue to increase until all patients served in the CAP Year have deceased.**

CAP Liability History

- **Increasing number of hospices exceeding the CAP**
- **Hospices that exceeded Medicare's annual payment CAP, by CAP year (MedPAC)**

	2014	2015	2016	2017	2018
Estimated share of hospices exceeding the cap	12.1%	12.3%	12.7%	14.0%	16.3%
Average payments over the cap per hospice exceeding it (in thousands)	$370	$316	$295	$273	$334
Payments over the cap as share of overall Medicare hospice spending	1.2%	1.0%	1.0%	1.0%	1.3%
Total Medicare hospice spending in the cap year* (in billions)	$15.0	$15.7	$16.7	$16.2	$18.9

Tracking CAP Status

- **The extent of CAP tracking is significantly dependent on hospice's CAP liability history.**
- **Periodic calculation of CAP liability (monthly, quarterly, semi-annually) dependent on history and changes in patient service utilization, e.g., increased length of stay from previous experience.**
- **Several useful techniques available to identify potential CAP liabilities, trending toward CAP liabilities, and trending away from CAP liabilities.**

Monitoring CAP Liability and Liability Potential

- **Admissions to Census**

	First Time Admissions	Other Admissions	ADC	Ratio	3 Month Ratio
Month 1	10	2	50	4.55	NA
Month 2	12	1	48	3.84	NA
Month 3	10	2	46	4.18	4.17
Month 4	14	2	52	3.47	3.79
Month 5	16	1	58	3.52	3.67
Month 6	14	3	52	3.35	3.45
Month 7	16	2	55	3.24	3.37
Month 8	16	2	48	2.82	3.13

Average Length of Stay ("ALOS")

- **Deceased/discharged length of stay:**
  - **Days on service through date of death/discharge (days of service for deceased and discharged patients/number of patients deceased or discharged)**
  - **Days on service through date of death (days of service for deceased patients/number of deceased patients)**
- **On service length of stay:**
  - **Days on service of patients still on census (days of service of patients still on census/number of patients on census)**
- **PS&R ALOS (CAP Year only):**
  - **Patient days/unduplicated patient served (lower than true ALOS – does not consider carryover patients)**
  - **Claims processed/unduplicated census*30 (lower than true ALOS)**

Lifetime Length of Stay

- **Lifetime length of stay ("LLOS") represents the average length of service for hospice patients (includes your hospice and other hospices that served the patient). LLOS drives CAP and will exceed your ALOS.**
- **Using PS&R data – number of patients days/proportional beneficiary counts.**
  - **Example – 1 patient served 30 days in the 2020 CAP Year and 30 days in the 2021 CAP year would result in .50 beneficiaries in 2020 and .50 beneficiaries in 2021.**
  - **30 days/.5 beneficiaries=60-day LLOS. Same result if the 2020 days were provided by another hospice.**

Tracking Margins (Liabilities)

2019 CAP Year

Beneficiaries	CAP	Gross Payments	Current Margin/(Liability)	August 26, 2021 Margin
66.8408	$ 1,952,114.97	$ 2,561,493.73	$ (609,378.76)	-31.22%

2020 CAP Year

Beneficiaries	CAP	Gross Payments	Current Margin/(Liability)	August 26, 2021 Margin
123.7968	$ 3,709,543.88	$ 4,585,102.30	$ (875,558.42)	-23.60%

2021 CAP YEAR

Beneficiaries	CAP	Gross Payments	Current Margin/(Liability)	August 26, 2021 Margin
142.0652	$ 4,359,118.65	$ 4,219,786.03	$ 139,332.62	3.20%

Tracking Key Indicators

KEY CAP INDICATORS	2019 CAP Year	2020 CAP Year	2021 CAP Year
First Time Admissions	63.0000	116.0000	100.0000
Proportional Beneficiaries	66.8408	123.7968	142.0652
Medicare Days	15,780	28,080	25,651
Claims Processed	612	1,065	951
Unduplicated Census	138	208	201
Payment Per-Day	$ 162.33	$ 163.29	$ 164.51
Days to CAP	179.92	183.51	186.52
Lifetime Length-of-Stay (LLOS)	236.08	226.82	180.56
Average Daily Census (Claims)	51.00	88.75	95.10
Average Daily Census (Days)	43.23	76.93	84.38

Tracking Margin and Liability Trending

CAP MARGIN (LIABILITY) HISTORY

	2019 CAP Year	2020 CAP Year	2021 CAP Year
November 2020			
December 2020			
January 2021			
February 2021			
March 2021			
April 2021			
May 28, 2021	$ (607,340.22)	$ (783,785.34)	$ 409,378.84
June 30, 2021	$ (608,327.36)	$ (816,956.35)	$ 180,476.86
July 2021			
August 2021			
August 26, 2021	$ (609,378.76)	$ (875,558.42)	$ 139,332.62
October 2021			
November 2021			

Tracking LLOS

LIFETIME LENGTH-OF-STAY HISTORY			
	2019 CAP Year	2020 CAP Year	2021 CAP Year
November 2020			
December 2020			
January 2021			
February 2021			
March 2021			
April 2021			
May 28, 2021	235.84	221.38	163.52
June 30, 2021	235.96	223.33	177.18
July 2021			
August 2021			
August 26, 2021	236.08	226.82	180.56
October 2021			
November 2021			

What Creates CAP Liabilities

- **Lifetime length of stay**
- **LLOS driven by patient diagnosis, nursing home populations which are largely driven by patient diagnosis.**
- **CAP is discriminatory in nature.**

CAP Liability Avoidance

- **Limiting long lengths of stay:**
  - **Admission control**
  - **Admission assessment of previously served hospice patients (remember sharing CAP)**
    - **A patient served by another hospice for 300 days and you serve 100 days results in your hospice only receiving a .25 beneficiary count (proportional or streamlined).**
- **What about live discharges?**
  - **Your hospice only benefits for any period of non-service to that patient. Patient count erodes based on services rendered by another hospice.**

Changing from Streamlined to Proportional

- **CAUTION:**
- **NGS and CGS calculate the conversion by recalculating prior years on Proportional Method.**
- **Palmetto calculates the conversion as a one-year impact. This calculation significant more difficult to estimate impact.**

Calculating Ultimate Liability

- **Monitor margin throughout year.**
- **Hospices (proportional) with less than 25% margin at year-end are at risk of exceeding CAP.**
- **Hospices (streamlined) with less than 10% margin at year-end are at risk of exceeding CAP.**
- **Various techniques available for estimating ultimate CAP liability:**
  - **Use 1st time admissions and 50% of other admissions to estimate the ultimate CAP.**
  - **Use prior year CAP erosion and applying to current year.**
  - **More sophisticated techniques, including patient specific review for additional days of service.**

Short-Term Admissions Extremely Beneficial

- If a hospice exceeds CAP, every short-term admission is extremely valuable, i.e., 1 patient with a seven-day stay;
- Assume seven days of care at $500/day:
  - Incremental Cost $3,500
  - Reimbursement (7 days at $250)
  - CAP $30,683.93
- Reimbursement $ 1,750
- Additional to CAP $ 28,934
- Cost $ -3,500
- To bottom line $ 27,184

Assessing Admission Impact on CAP

- **Assumes patients are admitted throughout September (average assumed to be September 16, 2021. Patients have never been served by another hospice. CAP benefit is reduction of the CAP liability on a per-patient basis.**

REIMBURSEMENT PER-DAY	ASSUMED ALOS	CAP	CAP IN 2021	REIMBURSEMENT	2021 CAP BENEFIT PER	DAYS T0 CAP
$ 165.67	120	$ 30,683.93	$ 3,835.49	$ 2,485.05	$ 1,350.44	185.21
$ 165.67	90	$ 30,683.93	$ 5,113.99	$ 2,485.05	$ 2,628.94	185.21
$ 165.67	180	$ 30,683.93	$ 2,556.99	$ 2,485.05	$ 71.94	185.21

Summary Points

- **CAP is part of the Medicare program benefit.**
- **Controlling CAP is a clinical control recognizing the financial implications.**
- **Many hospices exceed CAP and still generate profits (profit margins per-patient decline once CAP exceeded.**
- **The CAP was never created to address current hospice populations.**
- **CAP modifications can significantly change the financial landscape of hospices.**
- **Be knowledgeable of CAP status and potential upcoming CAP liabilities.**

Hospice CAP Policy Concerns

- **MedPAC--Characteristics of over-CAP hospices:**
  - **Longer LOS, Higher proportion of non-cancer diagnoses, higher live discharge rates**
  - **Disproportionately for-profit, freestanding, urban, small, and new**
- **Proposal to Wage Adjust and Reduce CAP by 20%:**
  - **Hospices exceeding the CAP will increase from 16% to 28%**
    - **Mostly fall into the 2 top quintiles for LOS**
      - **4th LOS quintile hospices' payments would be reduced by 5%**
      - **5th LOS quintile hospices' payments would be reduced by 15%**
  - **46% of hospices would remain at least 25% below CAP**
  - **Reduces total hospice outlays by 3.2% (roughly $650 M in first year)**
- **Additionally, CAP would be geographically adjusted.**

Hospice CAP Policy Concerns

State	Current	MedPAC proposal	State	Current	MedPAC proposal
AL	22%	54%	KS	7%	29%
UT	25%	49%	NM	8%	28%
CA	24%	48%	DC	0%	25%
AZ	16%	47%	OH	5%	24%
TX	24%	47%	ID	9%	22%
SC	25%	42%	FL	16%	20%
GA	18%	40%	MI	4%	19%
MS	31%	40%	MO	4%	19%
PR	33%	38%	IL	6%	17%
NV	14%	35%	MA	1%	16%
LA	12%	32%	CO	8%	16%
OK	11%	30%	AR	4%	16%

Questions?