



Hospice Cost Savings

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Research Indicates:

One-third of all Medicare dollars are spent on people who are dying¹.

Hospice Savings in Medicare²

- ✓ Medicare saves \$1.52 in Medicare Part A and Part B Expenditures for every Medicare dollar spent on hospice.
- ✓ Hospice saves Medicare \$4,102 per patient in the last month of life, as hospice home care days often substitute for expensive hospitalizations.

Hospice Savings in Medicare³

- ✓ A study of 8,700 Medicare patients indicated lower Medicare costs for patients enrolled in hospice care in a majority of cohorts.

Hospice Savings in Medicaid⁴

- ✓ A 2003 actuary study indicated hospice saves Medicaid about \$282 million per year, or approximately \$7,000 per Medicaid hospice beneficiary.

The Department of Health & Human Services Encourages Hospice Utilization⁵⁶

- ✓ CMS Administrator Nancy-Ann Min DeParle cited a “disturbing misperception that hospices and beneficiaries will be penalized if a patient lives longer than six months. Nothing could be further from the truth.”

Hospice Savings in the Large Employer Market⁷

- ✓ Of 200 examined insurance carriers, 88 percent of them include hospice coverage.
- ✓ The estimated employer group cost for hospice coverage is only \$1.18 per covered life per year.

Hospice Under Financial Pressure in Medicare⁸

- ✓ A 2001 actuary study found that, on average, hospice costs exceed revenue by about 10-20 percent. The study identified two important contributors to these shortfalls:
 - The intensity of hospice services has increased dramatically, resulting in an increase in the hospice cost per day. The rapid growth in prescription drug and outpatient costs has especially contributed to this increase.
 - The length of time patients actually receive hospice services has decreased, resulting in an increase in per diem costs for each patient – while per diem income has remained flat.

¹ American Society of Clinical Oncology. Cancer care during the last phase of life. *Journal of Clinical Oncology*. 1998; 16(5):1986-1996.

² LEWIN-VHI. Hospice Care: An Introduction and Review of the Evidence. 1994.

³ Pyenson B, et al. Medicare Cost in Matched Hospice and Non-Hospice Cohorts. *Journal of Pain and Symptom Management*. 2004; 28:3.

⁴ Milliman USA. Value of Hospice Benefit to Medicaid Programs. 2003.

⁵ DeParle N. Letter to NHPCO. 2000.

⁶ Scully T. Letter to NHPCO. 2002.

⁷ Assistant Secretary for Planning and Evaluation (ASPE). U.S. Department of Health and Human Services. Synthesis and Analysis of Medicare's Hospice Benefit. 2000.

⁸ Milliman USA. The Costs of Hospice Care: An Actuarial Evaluation of the Medicare Hospice Benefit. August 2001.

- ✓ Because hospice care saves money but is experiencing low reimbursement, hospice continues to seek appropriate Medicare and Medicaid reimbursement levels and to avoid any cuts in the existing hospice benefits.

How Does Hospice Realize Cost Savings?⁹

- ✓ The effort to help terminally ill patients avoids unnecessary and undesirable hospitalization;
- ✓ Providing medications, durable medical equipment, and home care visits as part of the per diem cost; and
- ✓ Extending to nursing home residents the same dignified, patient-focused end-of-life care as patients who are not in institutional settings.

Dartmouth Atlas Ranks Iowa First in Nation¹⁰

- ✓ A national study of health care system performance by Dartmouth College, based on the last two years of life for Medicare patients, ranks Iowa first in the nation.
- ✓ The study showed that, compared to the nation as a whole, Iowans were significantly more likely to receive higher quality care, in part because of increased use of hospice services.

⁹ Ibid.

¹⁰ Dartmouth Atlas of Health Care.