

# WASHINGTON

## perspectives

***An Analysis and Commentary on Federal Health Care Issues  
by Larry Goldberg***

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### **CMS Releases FY 2021 Hospice Wage Index and Payment Rate Update**



The Centers for Medicare and Medicaid Services (CMS) have issued a final rule that will update hospice payment rates, wage index values, and the hospice payment cap amount for fiscal year (FY) 2021.

The rule finalizes, as proposed, the adoption of revised Office of Management and Budget (OMB) statistical area delineations and applies a 5.0 percent cap on wage index decreases from FY 2020 to FY 2021.

Finally, CMS is providing examples on CMS' website of the hospice election statement and the hospice election statement addendum to reflect the changes finalized in the FY 2020 hospice final rule, effective October 1, 2020.

The 74-page document is scheduled for publication in the ***Federal Register*** on August 4. A copy is currently available at:

<https://s3.amazonaws.com/public-inspection.federalregister.gov/2020-16991.pdf>. Of course, this link will change upon publication.

CMS estimates that aggregate payments to hospices in FY 2021 will increase by \$540 million, or 2.4 percent, compared to payments in FY 2020. Further, CMS estimates hospices in urban areas will experience, on average, a 2.4 percent increase in payments compared to FY 2020, while hospices in rural areas will experience, on average, a 2.6 percent increase in estimated compared to FY 2020.

#### **Hospice PPS Rate Setting and Updates**

##### ***FY 2021 Hospice Market Basket Update***

Based on IHS Global Inc.'s (IGIs) second-quarter 2020 forecast with historical data through the first quarter 2020 of the inpatient hospital market basket update, the market basket percentage increase for hospices in FY 2021 is now estimated at **2.4 percent**. The proposed increase was 3.0 percent.

CMS attributes the lower rate of increase (2.4 percent), "relative to the proposed rule (3.0 percent), is primarily driven by slower anticipated compensation growth for both health related and other occupations as labor markets are expected to be significantly impacted during the recession that started in February 2020 and throughout the anticipated recovery."

CMS proposed a multi-factor productivity (MFP) adjustment as mandated by **Affordable Care Act** of 0.4 percentage point. Based on the more recent data available the current estimate of the MFP adjustment is projected to be -0.1 percentage point.

“Mechanically subtracting the negative 10-year moving average growth of MFP from the market basket percentage increase using the data from the IGI June, 2020 macroeconomic forecast of the FY 2021 MFP adjustment would have resulted in a 0.1 percentage point increase in the FY 2021 hospice payment update percentage.”

“However, under sections 1886(b)(3)(B)(xi)(I) and 1814(i)(1)(C)(v) of the Act, the Secretary is required to reduce (not increase) the hospice market basket percentage increase by changes in economy-wide productivity. Accordingly, we will be applying a 0.0 percentage point MFP adjustment to the market basket percentage increase. Therefore, the hospice payment update percentage for FY 2021 is 2.4 percent.”

The proposed market basket increase of 3.0 percent would have been reduced by a MFP adjustment factor of 0.4 percent yielding an increase of 2.6 percent.

**Labor Share**

The labor portion of the hospice payment rates are as follows: For Routine Home Care (RHC), 68.71 percent; for Continuous Home Care (CHC), 68.71 percent; for General Inpatient Care (GIP), 64.01 percent; and for Inpatient Respite Care, 54.13 percent. The non-labor portion is equal to 100 percent minus the labor portion for each level of care.

Therefore, the non-labor portion of the payment rates are as follows: For RHC, 31.29 percent; for CHC, 31.29 percent; for GIP, 35.99 percent; and for Respite Care, 45.87 percent.

**Rates**

There are four payment categories that are distinguished by the location and intensity of the services provided. The base payments are adjusted for geographic differences in wages by multiplying the labor share, which varies by category, of each base rate by the applicable hospice wage index.

The FY 2021 RHC payment rates are shown below;

**FY 2021 Hospice RHC Payment Rates**

Code	Description	FY 2020 Payment Rates	Service Intensity Budget Neutrality Factor	Wage Index Standardization Factor	FY 2021 Hospice payment update percentage	FY 2021 Payment Rates
651	Routine Home Care (days 1-60)	\$194.50	X 1.0002	X 1.0002	X 1.024	<b>\$199.25</b>
651	Routine Home Care (days 61+)	\$153.72	X 1.0001	X 1.0004	X 1.024	<b>\$157.49</b>

The FY 2021 payment rates for CHC, IRC, and GIP are shown below:

**FY 2021 Hospice Payment Rates for CHC, IRC, and GIP**

Code	Description	FY 2020 Payment Rates	Wage Index Standardization Factor	FY 2021 Hospice Payment Update	FY 2021 Payment Rates
652	Continuous Home Care Full Rate= 24 hours of care	\$1,395.63	X 1.0023	X 1.024	<b>\$1,432.41 (59.68 per Hour)</b>
655	Inpatient Respite Care	\$450.10	X 1.0004	X 1.024	<b>\$461.09</b>
656	General Inpatient Care	\$1,021.25	X 0.9999	X 1.024	<b>\$1,045.66</b>

For hospices that fail to meet quality reporting requirements the payment update factor is reduced by 2.0 percent.

**Hospice Wage Index**

The hospice wage index applicable for FY 2021 is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/Hospice/Hospice-Wage-Index.html>.

CMS is adopting the OMB delineations announced in OMB Bulletin No. 18-04 effective beginning in FY 2021.

*The following table reflects 34 Urban Counties Becoming Rural*

**Counties that Will Change to Rural Status**

County Name	State	CBSA	CBSA Name
BAKER	GA	10500	Albany, GA
NEWTON	TX	13140	Beaumont-Port Arthur, TX
GOLDEN VALLEY	MT	13740	Billings, MT
WALKER	AL	13820	Birmingham-Hoover, AL
SIOUX	ND	13900	Bismarck, ND
FLOYD	VA	13980	Blacksburg-Christiansburg-Radford, VA
DE WITT	IL	14010	Bloomington, IL
FORD	IL	16580	Champaign-Urbana, IL
BUCKINGHAM	VA	16820	Charlottesville, VA
ARANSAS	TX	18580	Corpus Christi, TX
MC DONALD	MO	22220	Fayetteville-Springdale-Rogers, AR-MO
LE FLORE	OK	22900	Fort Smith, AR-OK
WELLS	IN	23060	Fort Wayne, IN
HOOD	TX	23104	Fort Worth-Arlington, TX
SOMERVELL	TX	23104	Fort Worth-Arlington, TX
HAMILTON	NE	24260	Grand Island, NE
BARRY	MI	24340	Grand Rapids-Wyoming, MI
KALAWAO	HI	27980	Kahului-Wailuku-Lahaina, HI
VAN BUREN	MI	28020	Kalamazoo-Portage, MI

County Name	State	CBSA	CBSA Name
SCOTT	IN	31140	Louisville/Jefferson County, KY-IN
TRIMBLE	KY	31140	Louisville/Jefferson County, KY-IN
BENTON	MS	32820	Memphis, TN-MS-AR
SIBLEY	MN	33460	Minneapolis-St. Paul-Bloomington, MN-WI
HICKMAN	TN	34980	Nashville-Davidson--Murfreesboro--Franklin, TN
GULF	FL	37460	Panama City, FL
CUSTER	SD	39660	Rapid City, SD
CAROLINE	VA	40060	Richmond, VA
WEBSTER	LA	43340	Shreveport-Bossier City, LA
PLYMOUTH	IA	43580	Sioux City, IA-NE-SD
UNION	SC	43900	Spartanburg, SC
PEND OREILLE	WA	44060	Spokane-Spokane Valley, WA
COLUMBIA	WA	47460	Walla Walla, WA
PULASKI	GA	47580	Warner Robins, GA
KINGMAN	KS	48620	Wichita, KS

*Rural Counties Becoming Urban*

CMS says a total of 47 counties (and county equivalents) that are currently designated rural will be considered urban beginning in FY 2021.

**Counties that Will Change to Urban Status**

FIPS County Code	County/County Equivalent	State Name	New CBSA	CBSA Name
01063	Greene	AL	46220	Tuscaloosa, AL
01129	Washington	AL	33660	Mobile, AL
05047	Franklin	AR	22900	Fort Smith, AR-OK
12075	Levy	FL	23540	Gainesville, FL
13259	Stewart	GA	17980	Columbus, GA-AL
13263	Talbot	GA	17980	Columbus, GA-AL
16077	Power	ID	38540	Pocatello, ID
17057	Fulton	IL	37900	Peoria, IL
17087	Johnson	IL	16060	Carbondale-Marion, IL
18047	Franklin	IN	17140	Cincinnati, OH-KY-IN
18121	Parke	IN	45460	Terre Haute, IN
18171	Warren	IN	29200	Lafayette-West Lafayette, IN
19015	Boone	IA	11180	Ames, IA
19099	Jasper	IA	19780	Des Moines-West Des Moines, IA
20061	Geary	KS	31740	Manhattan, KS

FIPS County Code	County/County Equivalent	State Name	New CBSA	CBSA Name
21043	Carter	KY	26580	Huntington-Ashland, WV-KY-OH
22007	Assumption	LA	12940	Baton Rouge, LA
22067	Morehouse	LA	33740	Monroe, LA
25011	Franklin	MA	44140	Springfield, MA
26067	Ionia	MI	24340	Grand Rapids-Kentwood, MI
26155	Shiawassee	MI	29620	Lansing-East Lansing, MI
27075	Lake	MN	20260	Duluth, MN-WI
28031	Covington	MS	25620	Hattiesburg, MS
28051	Holmes	MS	27140	Jackson, MS
28131	Stone	MS	25060	Gulfport-Biloxi, MS
29053	Cooper	MO	17860	Columbia, MO
29089	Howard	MO	17860	Columbia, MO
30095	Stillwater	MT	13740	Billings, MT
37007	Anson	NC	16740	Charlotte--Concord-Gastonia, NC-SC
37029	Camden	NC	47260	Virginia Beach-Norfolk-Newport News, VA-NC
37077	Granville	NC	20500	Durham-Chapel Hill, NC
37085	Harnett	NC	22180	Fayetteville, NC
39123	Ottawa	OH	45780	Toledo, OH
45027	Clarendon	SC	44940	Sumter, SC
47053	Gibson	TN	27180	Jackson, TN
47161	Stewart	TN	17300	Clarksville, TN-KY
48203	Harrison	TX	30980	Longview, TX
48431	Sterling	TX	41660	San Angelo, TX
51097	King and Queen	VA	40060	Richmond, VA
51113	Madison	VA	47894	Washington-Arlington-Alexandria, DC-VA-MD-WV
51175	Southampton	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
51620	Franklin City	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
54035	Jackson	WV	16620	Charleston, WV
54065	Morgan	WV	25180	Hagerstown-Martinsburg, MD-WV
55069	Lincoln	WI	48140	Wausau-Weston, WI
72001	Adjuntas	PR	38660	Ponce, PR
72083	Las Marias	PR	32420	Mayagüez, PR

*The table below lists urban counties that will move from one urban CBSA to a newly or modified CBSA.*

**Counties that Will Change to a Different CBSA**

Previous CBSA	New CBSA	County	State
16974	16984	COOK	IL
16974	16984	DU PAGE	IL
16974	16984	GRUNDY	IL
16974	20994	KENDALL	IL
16974	16984	MC HENRY	IL
16974	16984	WILL	IL
20524	39100	DUTCHESS	NY
20524	35614	PUTNAM	NY
26580	16620	LINCOLN	WV
28940	34100	GRAINGER	TN
35084	35154	SOMERSET	NJ
35614	35154	MIDDLESEX	NJ
35614	35154	MONMOUTH	NJ
35614	35154	OCEAN	NJ
35614	39100	ORANGE	NY
38660	49500	GUANICA	PR
38660	49500	GUAYANILLA	PR
38660	49500	PENUELAS	PR
38660	49500	YAUCO	PR

**Transition Period**

In addition, CMS will implement a 1-year transition policy under which the agency will apply a 5.0 percent cap in FY 2021 on any decrease in a hospital’s wage index compared to its wage index in FY 2020. No cap would be applied to any reductions in the wage index for FY 2022.

**Service Intensity Add-on Budget Neutrality Factor (SBNF)**

CMS proposed removing the service intensity add-on budget neutrality factor (SBNF). The SBNF is used to reduce the overall RHC rate in order to ensure that Service Intensity Adjustment (SIA) payments are budget-neutral. At the beginning of every fiscal year, SIA utilization is compared to the prior year in order calculate a budget neutrality adjustment. For FY 2021, CMS calculated the SBNF using FY 2019 utilization data. For FY 2021, the SBNF that will apply to days 1 through 60 is calculated to be 1.0002 and the SBNF that will apply to days 61 and beyond is calculated to be 1.0001.

CMS is not, as proposed, removing this factor for FY 2021.

**Hospice Cap Amount for FY 2021**

The hospice cap amount for FY 2021 will be \$30,683.93 which is equal to the FY 2020 cap amount (\$29,964.78) updated by the FY 2021 hospice payment update percentage of 2.4 percent.

**Election Statement Content Modifications and Addendum to Provide Greater Coverage Transparency and Safeguard Patient Rights**

CMS says that the hospice election statement modifications and the hospice election statement addendum requirements at 42 CFR 418.24(b) and (c) will be effective for hospice elections beginning on and after October 1, 2020, as finalized in the FY 2020 Hospice Wage Index and Payment Rate Update final rule. The hospice election statement addendum will remain a condition for payment and as finalized, this condition for payment would be met if there is a signed addendum (and its updates) in the requesting beneficiary's hospice medical record. The signed addendum is only acknowledgement of the beneficiary's (or representative's) receipt of the addendum and not agreement with the hospice's determination.

To assist hospices in understanding these content requirements and based on comments received, CMS has posted with this final rule, the modified model examples of the hospice election statement and hospice election statement addendum on the Hospice Center webpage as illustrative examples. As finalized in the FY 2020 Hospice Wage Index and Payment Rate Update final rule, hospices will make the election statement modifications and develop the addendum to best suit their needs as long as the content requirements are met.

**Updates to the Hospice Quality Reporting Program (HQRP)**

There are no updates to the Hospice Quality Reporting Program.