



Estimating Medicare Hospice Margins by State

2016-2017 Medicare Claims & Cost Reports
Freestanding & Home Health-based Hospices (72%)

5/16/19

Estimating Medicare Margins

- ▶ On May 15, 2019, Barb Hansen of the Oregon and Washington state hospice organizations asked if I could break out MedPAC's 2019 report of national hospice margins by state.
- ▶ **Data:**
 - ▶ I have all Medicare Claims for all Medicare certified hospices in the country. I have Freestanding Hospice and Home Health Agency-based Hospice Cost Reports, which account for 72% of hospices in the country.

Estimating Medicare Margins

▶ **Methods:**

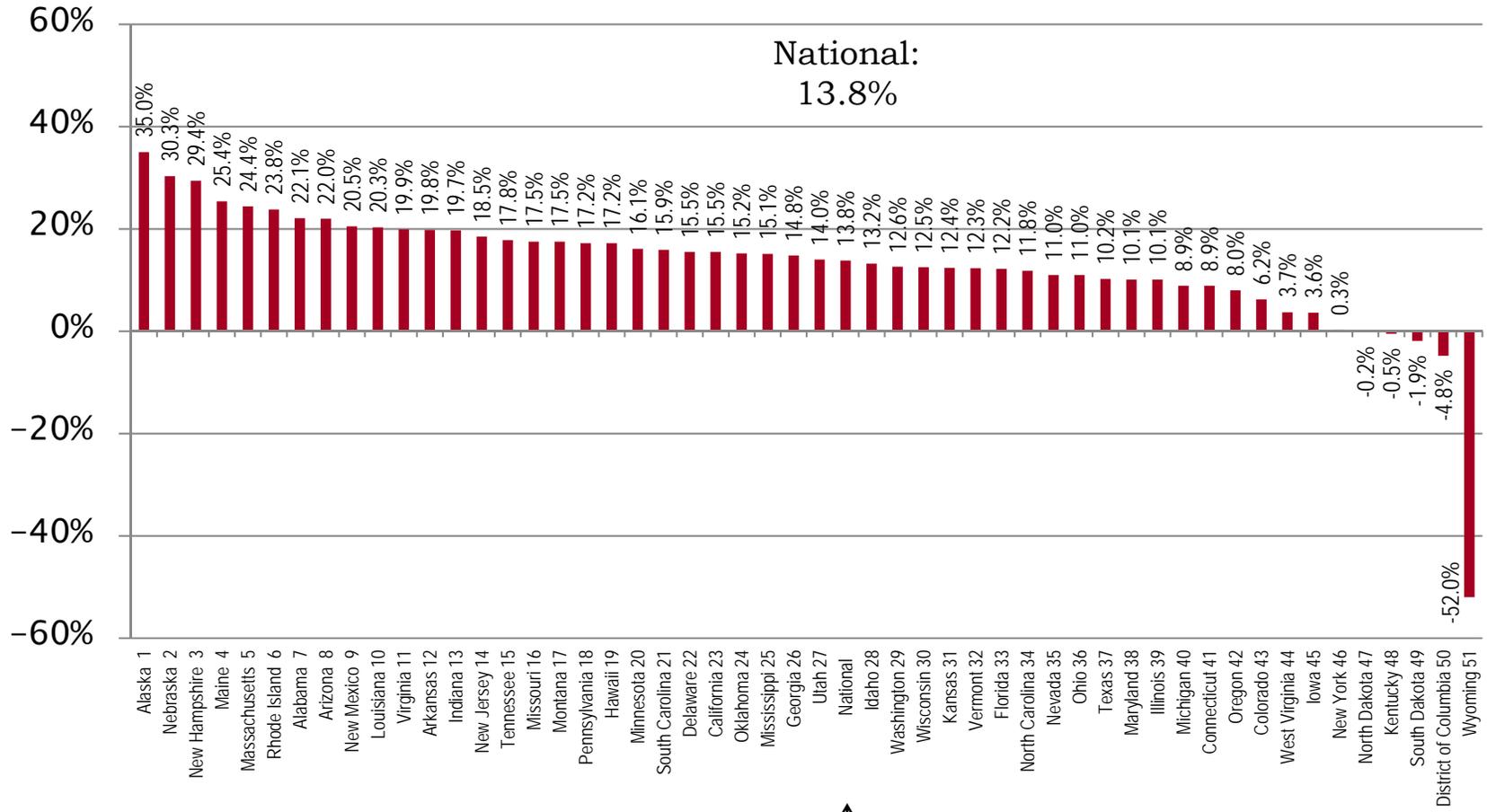
- ▶ **Revenue:** Medicare claims include all *Medicare revenue*.
- ▶ **Costs:** Medicare cost reports include total costs, and I wanted to estimate *Medicare costs*. Using Cost Report numbers, I divided Medicare Days / Total Days of care to get the *Percentage of Medicare Days*. I then multiplied *Total Costs* * *Percentage of Medicare Days* to estimate *Adjusted Medicare Costs*.
- ▶ **Margin:** I only included hospices for which I had both Medicare revenue and costs. I estimated **Medicare margins** = $(\text{Medicare Revenue} - \text{Adjusted Medicare Costs}) / \text{Medicare Revenue}$. Note: Historically MedPAC has excluded non-reportable costs for bereavement, volunteer services, etc., and I did not excluded these non-reportable costs for this analysis.

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▶ **Results:**

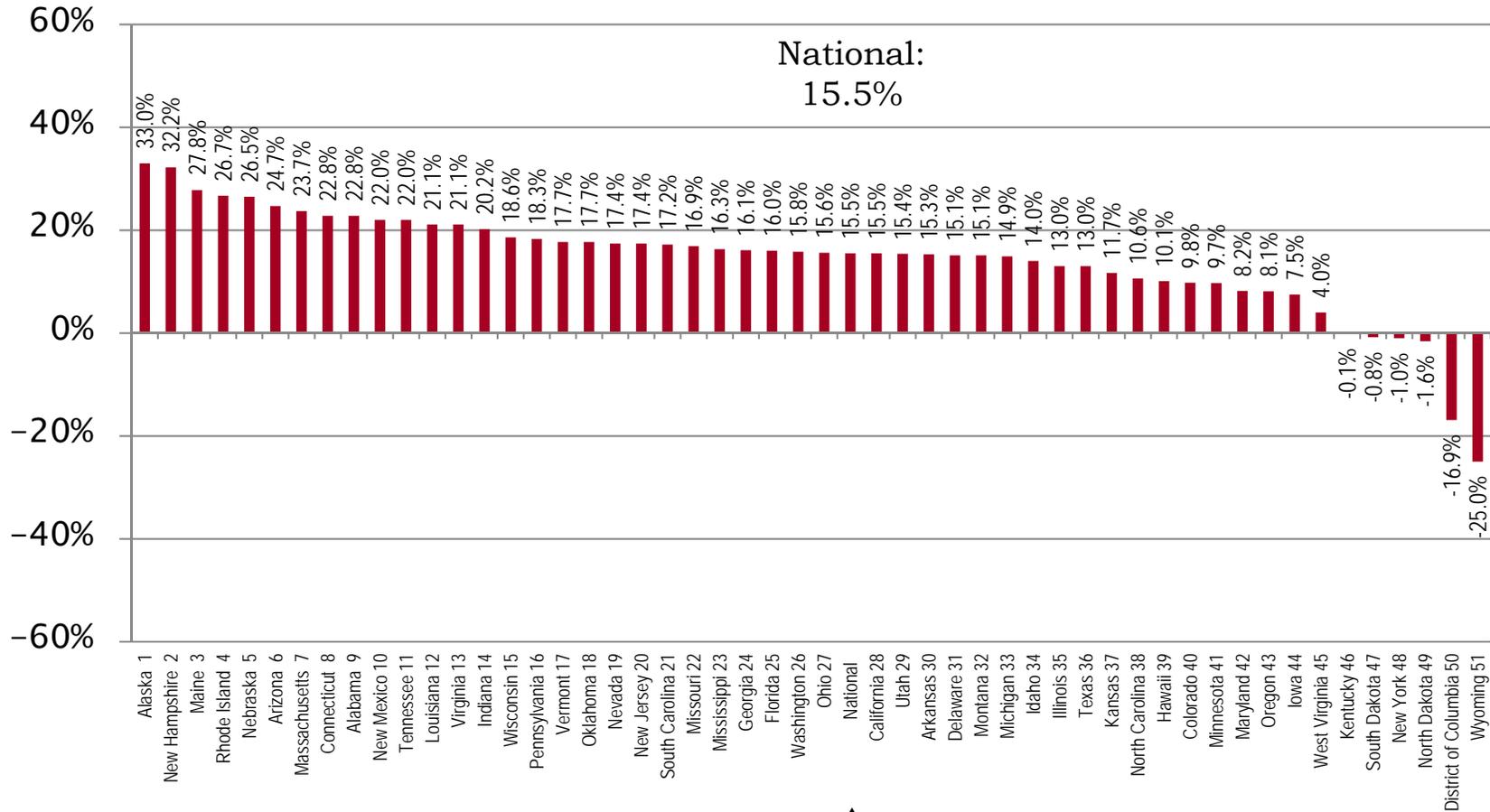
- ▶ The 2019 MedPAC Report says 2016 hospice margins nationally = 10.9% (p. xxii).
- ▶ My calculations found 2016 hospice margins nationally = 13.8%. This is pretty close to MedPAC's number, and given minor differences in methods I believe my estimates are consistent and in line with MedPAC results. I did not include hospital-based hospice cost reports, which are notorious for cost shifting such that hospice margins are negative (lowering MedPAC's national number, so it makes sense that my numbers are little higher than MedPAC).
- ▶ Replicating my calculations with 2017 data, 2017 hospice margins nationally = 15.5%. While MedPAC projects 2019 hospice margins to decrease from 10.9% to 10.1%, they don't detail how they made the projection so I can't replicate the projection.

2016 Medicare Hospice Estimated Medicare Margins / State



Using Medicare claims and cost reports for Freestanding and Home Health-based Hospices.
 MedPAC 2019 Report reported 2016 Medicare Hospice margins = 10.8% and estimated 2019 margins = 10.1% (p. xxii).

2017 Medicare Hospice Estimated Medicare Margins / State



Using Medicare claims and cost reports for Freestanding and Home Health-based Hospices.
 MedPAC 2019 Report reported 2016 Medicare Hospice margins = 10.8% and estimated 2019 margins = 10.1% (p. xxii).

Thank you

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* Review the new National Hospice Locator at www.HospiceAnalytics.com – geo-maps and detailed information on every known hospice in the United States!