Value-Based Insurance Design (VBID) Model

Office Hours: CY 2021 Hospice Benefit Component Payment Design Part II

Office of the Actuary, CMS
Center for Medicare & Medicaid Innovation, CMS
Agenda

• Payment Structure of the Hospice Benefit Component
• Overview of the Hospice Capitation Rate Development
• Overview of Key Changes from the CY 2021 Proposed Hospice Capitation Payment Rate Actuarial Methodology
• Next Steps
• Question and Answer
Model Component’s Payment Design

For all enrollees who elect hospice care:

- For the first month of hospice coverage (“Month 1”), participating MA Organizations (MAOs) will receive a risk-adjusted A/B capitation payment, the MA rebate amount, monthly prescription drug payment (if offering prescription drug coverage) and a hospice capitation payment.
  - Month 1 hospice capitation payments will be made in a lump-sum on a quarterly basis.
- For hospice stays that occur in a second calendar month and on (“Months 2+”), participating MAOs will receive a monthly hospice capitation payment, the MA rebate amount, and monthly prescription drug payment (if offering prescription drug coverage) prospectively.

1Risk-adjusted and consistent with current law; only paid during Month 1 if as of the first of the month, an enrollee is not under hospice election status.
Policy Objectives of Hospice Capitation Rates

• Ensure rates are budget neutral relative to pre-Model costs
• Ensure accuracy of rates while moving from four-level per diem payment structure to a monthly capitation rate
• Create a clear, simple and transparent payment structure
• Align payment structure with Model component goals
• Develop rates for the hospice capitation payment consistent with Medicare Advantage (MA) benchmark development
Overview of the Hospice Capitation Rate Development

I National Hospice Capitation Base Rate

II Monthly Rating Factor

III Hospice Average Geographic Adjustment (Hospice AGA)

Hospice Capitation Rate by County

1 Current law sequestration will be applied.
2 For Month 1 only, a days-in-month adjustment is applied to each county rate.
Monthly Rating Factors

• Monthly rating factor applied so that the aggregate rate across the expected stay month distribution equals the Composite National Rate

• The Month 2+ rate (with a monthly rating factor of 1.00) is referred to as the National Hospice Capitation Base Rate

<table>
<thead>
<tr>
<th>Hospice Enrollment in Month 1</th>
<th>Average Monthly Service Days</th>
<th>Distribution of Stay Months</th>
<th>Monthly Rating Factor¹</th>
<th>Gross Monthly Base Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-6 Days</td>
<td>3.28</td>
<td>16%</td>
<td>0.34</td>
<td>$1,784</td>
</tr>
<tr>
<td>7-15 Days</td>
<td>10.52</td>
<td>12%</td>
<td>0.64</td>
<td>$3,359</td>
</tr>
<tr>
<td>16+ Days</td>
<td>22.62</td>
<td>11%</td>
<td>1.02</td>
<td>$5,353</td>
</tr>
<tr>
<td>Month 1 Composite</td>
<td>10.90</td>
<td>39%</td>
<td>0.62</td>
<td>$3,262</td>
</tr>
<tr>
<td>Month 2+</td>
<td>26.17</td>
<td>61%</td>
<td>1.00</td>
<td>$5,248²</td>
</tr>
<tr>
<td>CY 2021 Composite National Hospice Capitation Rate³</td>
<td>20.17</td>
<td>100%</td>
<td>0.85</td>
<td>$4,468</td>
</tr>
</tbody>
</table>

¹ Bold numbers are the Monthly Factors. The values for Month 1 Composite and Composite are based on the distribution of stay months

² National Hospice Capitation Base Rate

³ Prior to Provider Cap Adjustment
Hospice Average Geographic Adjustment

The Hospice Average Geographic Adjustment (AGA):

- Accounts for regional variation in claims at the Core Based Statistical Area (CBSA) level
- Emulates the MA AGA, which is the ratio of the area-specific spending to the national average
- For CY 2021, calculated using the average of the 2021 projected cost for each of the three experience years
- Has a separate value for Month 1 and Month 2+ because of the differences in utilization of services and length of stay by CBSAs
  - Month 1 Hospice AGA is adjusted to account for the difference in Month 1 rating tier distribution between the CBSA and national distribution (“Month 1 Tier Adjustment”)
  - Month 2+ Hospice AGA is adjusted to recognize the impact by CBSA of the Hospice Provider Inpatient and Aggregate Caps
Month 1 Tier Adjustment

Added a Month 1 Tier Adjustment to account for CBSA differences in the distribution of stay months by Month 1 tier compared to the national distribution

**Illustrative Example:**

<table>
<thead>
<tr>
<th>Rate Tier: Days in Month 1</th>
<th>Monthly Rating Factor</th>
<th>National Distribution of 2018 Month 1 Stay Months</th>
<th>CBSA 48424* Distribution of 2018 Stay Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-6 Days</td>
<td>0.3400</td>
<td>41.8%</td>
<td>51.1%</td>
</tr>
<tr>
<td>7-15 Days</td>
<td>0.6400</td>
<td>30.0%</td>
<td>26.9%</td>
</tr>
<tr>
<td>16+ Days</td>
<td>1.0200</td>
<td>28.2%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

Stay Month Weighted Composite Factor (Month 1 Tier Distribution Factor)  

<table>
<thead>
<tr>
<th>Stay Month Weighted Composite Factor (Month 1 Tier Distribution Factor)</th>
<th>National Distribution of 2018 Month 1 Stay Months</th>
<th>CBSA 48424* Distribution of 2018 Stay Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6215</td>
<td>0.5700</td>
<td>0.9173</td>
</tr>
</tbody>
</table>

Month 1 Hospice AGA Tier Adjustment  
(CBSA Month 1 Tier Dist. Factor/ National Month 1 Tier Dist. Factor)

No data

* CBSA 48424 Description: West Palm Beach-Boca Raton-Delray Beach, FL
Recognition of Hospice Provider Caps

• Claims data supporting rate development are before application of aggregate and inpatient provider caps for related services

• Hospice Aggregate Cap places limit on average annual per-capita cost for each hospice provider
  • First-year impact of Hospice Aggregate Cap was applied as a percentage of Hospice FFS-paid claims for Month 2+ to all experience years for the given CBSA

• Hospice Inpatient Cap limits percentage of days for General Inpatient Care
  • First-year impact of Hospice Inpatient Cap was applied to Hospice FFS-paid claims in three CBSAs that showed consistency year-to-year in amount & in the providers that had these recoveries

• Combined impact of both provider caps on the final rates for CY 2021 was an average reduction of 0.74% (the median impact is 0.07%)
Other Refinements for Pricing Accuracy

Since the release of the CY 2021 proposed methodology, the **CY 2021 Gross National Composite Rate increased by 0.6%** due to below changes in response to comments from stakeholders, availability of additional data and refinements for pricing accuracy:

- As discussed, the Month 1 Tier Adjustment and recognition of hospice provider caps
- Credibility calculation correction & methodology revision for newly-identified low-volume CBSAs
- Service Day Utilization and Intensity Adjustment to account for year-over-year changes, including increased length of stay and decreased use of higher intensity services
- Updates due to CY 2021 Rate Announcement: (1) trend factors for the Non-Hospice FFS-paid claims were updated using the FFS United States per capita cost (USPCC) and (2) administrative load
- Incorporation of operational rules in pricing to more accurately account for the number of stay months across stay gaps (i.e., between live discharge and re-enrollment)
- Claim completion factors determined
# CY 2021 Hospice Capitation Ratebook

<table>
<thead>
<tr>
<th>Code</th>
<th>State</th>
<th>County Name</th>
<th>Month 1 Days 1-6</th>
<th>Month 1 Days 7-15</th>
<th>Month 1 Days 16+</th>
<th>Month 2+</th>
</tr>
</thead>
<tbody>
<tr>
<td>01000</td>
<td>AL</td>
<td>AUTAUGA</td>
<td>1,332.43</td>
<td>2,508.11</td>
<td>3,997.30</td>
<td>4,633.51</td>
</tr>
<tr>
<td>01010</td>
<td>AL</td>
<td>BALDWIN</td>
<td>1,449.90</td>
<td>2,729.23</td>
<td>4,349.71</td>
<td>4,556.35</td>
</tr>
<tr>
<td>01020</td>
<td>AL</td>
<td>BARBOUR</td>
<td>1,478.73</td>
<td>2,783.50</td>
<td>4,436.20</td>
<td>4,753.53</td>
</tr>
<tr>
<td>01030</td>
<td>AL</td>
<td>BIBB</td>
<td>1,479.86</td>
<td>2,785.62</td>
<td>4,439.58</td>
<td>4,803.71</td>
</tr>
<tr>
<td>01040</td>
<td>AL</td>
<td>BLOUNT</td>
<td>1,479.86</td>
<td>2,785.62</td>
<td>4,439.58</td>
<td>4,803.71</td>
</tr>
<tr>
<td>01050</td>
<td>AL</td>
<td>BULLOCK</td>
<td>1,478.73</td>
<td>2,783.50</td>
<td>4,436.20</td>
<td>4,753.53</td>
</tr>
<tr>
<td>01060</td>
<td>AL</td>
<td>BUTLER</td>
<td>1,478.73</td>
<td>2,783.50</td>
<td>4,436.20</td>
<td>4,753.53</td>
</tr>
<tr>
<td>01070</td>
<td>AL</td>
<td>CALHOUN</td>
<td>1,341.18</td>
<td>2,524.57</td>
<td>4,023.53</td>
<td>4,954.37</td>
</tr>
</tbody>
</table>

*Note: All rates are gross of sequestration*
Next Steps

• Review resources, including CY 2021 hospice capitation ratebook and final actuarial methodology, on VBID Model webpage: https://innovation.cms.gov/initiatives/vbid/

• VBID Applications to CMS by April 24, 2020

• Receive provisional approval in May 2020

• Submit MA Bid submissions, due June 1, 2020
Thank you!

CMS welcomes feedback and engagement from all stakeholders.

Please engage directly with us by emailing us at: VBID@cms.hhs.gov