

## HOSPICE VBID – PART 2 PRELIMINARY CAPITATION RATES FOR CY2021



**Alison Pool**, ASA, MAAA  
727.259.7469 • [AlisonP@wakely.com](mailto:AlisonP@wakely.com)

**Jackson Hall**, ASA, MAAA  
727.259.6772 • [JacksonH@wakely.com](mailto:JacksonH@wakely.com)

### Introduction

This paper is the second in a series intended to provide an overview of the impact to Medicare Advantage Organizations (MAOs) of upcoming changes to the way hospice benefits may be provided. For calendar year 2021 (CY2021), MAOs may offer the hospice benefit to their beneficiaries by electing to participate in the Value Based Insurance Design (VBID) model option.

In February 2020, the Centers for Medicare and Medicaid Services (CMS) released the actuarial methodology and accompanying draft rate book for the national and Medicare Core-Based Statistical Area (CBSA) capitation rates to be paid to hospice VBID participating MAOs in CY2021. This paper intends to describe and analyze these rates.

### CY2021 National MA Hospice VBID Capitation Rates

The national capitation rates will vary between the first month that a beneficiary elects hospice, and all subsequent months. Additionally, within the first month there are three base rates dependent upon the number of days of hospice benefit provided in that initial month. The proposed national base rates are as follows:

Month	Hospice Enrollment in Month 1	Average Monthly Service Days	Gross Monthly Base Rate
Month 1	1-6 Days	3.28	\$1,764
	7-15 Days	10.51	\$3,320
	16+ Days	22.58	\$5,291
Month 2+	n/a	26.09	\$5,187

The rates in the table above are gross of sequestration, and are subject to change when the final rates are published in April.

Wakely reviewed the CMS FFS 5% sample Limited Data Set (LDS) and calculated approximately \$3,450 PMPM in hospice FFS payments by CMS in 2017, consistent with the \$3,604 used by CMS in the Gross Monthly Base Rate development. We did not review the FFS-paid non-hospice experience that is also included in the Gross Monthly Base Rate, the components of which are described later in this paper.

In addition to the applicable Gross Monthly Base Rate in month one, the MAO will continue to receive the risk-adjusted A/B bid capitation rate, beneficiary rebate amounts (if any), and the monthly prescription drug payment (if any). In months two and beyond, the MAO will receive the Gross Monthly Base Rate for months 2+, the beneficiary rebate amounts, and the monthly prescription drug payment.

CMS calculated the Gross Monthly Base Rates to be cost neutral to CMS historical FFS-paid hospice care by estimating the CY2021 Medicare fee-for-service (FFS) payments for hospice benefits, plus an administrative load and a small adjustment for the National Medicare Education Campaign (NMEC) user fee.

The administrative load factor used in the Gross Monthly Base Rates is 1.0009, which represents the claims processing costs as a fraction of benefits using the Part A and Part B factors as published annually by CMS in the MA Final Rate Announcement.

The Gross Monthly Base Rates were developed to account for FFS-paid hospice care related to the terminal condition and related conditions during a hospice stay, as well as FFS-paid non-hospice experience, which consists of two parts:

- 1) FFS-paid non-hospice care provided by non-hospice providers during a hospice stay; and
- 2) Other FFS-paid non-hospice care provided after a hospice stay ends, including non-hospice care provided on the last day of the stay and through the end of the calendar month that the stay ends. [1]

The Gross Monthly Base Rates will not be risk adjusted. The only adjustment made to the Monthly Base Rates displayed above will be an area factor to account for regional variations in claims.

## **CBSA MA Hospice Capitation Rates**

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CBSAs are collections of counties that can cross state lines. CMS is using a combination of CBSA and State to develop Hospice Average Geographic Adjustments (AGAs) to apply to the

national Gross Monthly Base Rates. There is a separate Hospice AGA factor for month one and months 2+.

Preliminary Hospice AGA factors for all CBSA-State combinations can be retrieved on the CMS VBID model webpage. [2]

## **Application Updates**

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CMS has extended the application deadline for MAOs interested in participating in the CY2021 Hospice VBID model to April 24<sup>th</sup>, 2020. CMS has not yet committed to a second application period in 2021 for MAOs wishing to participate for the first time in CY2022. MAOs will have through May 1<sup>st</sup>, 2020 to work with CMS and finalize which contracts and PBPs will be included to participate in the Model. CMS will then provide the MAO with provisional approval. A provisionally approved MAO will then be required to confirm or withdraw their participation in the CY2021 MA Hospice VBID model with their CY2021 bid submission which is due to CMS by June 1<sup>st</sup>, 2020.

## **Considerations for MAOs**

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Many questions are outstanding regarding the impact of covering the hospice benefit. In the Hospice VBID – Part 1 paper [3] we discussed immediate actions for MAOs to consider. The list is repeated here with slight alterations:

1. The development of the hospice capitation rate assumes average service days in the hospice benefit of 20 days (including routine home care, etc.). Determining the average service days in the hospice benefit for an MAO's members or within the hospices in the service area will provide a measure for comparing to the capitation rates. Refer to

the table on page 1 for the average hospice service days used by CMS in the development of each Gross Monthly Base Rate.

2. Identify licensed Medicare hospice providers in the MAO's service areas. Providing a hospice benefit to a Medicare beneficiary requires appropriate licensing based on state regulations for the hospice benefit and approval as a Medicare provider. Regardless of participation in the Hospice VBID, establishing relationships with local licensed hospices will encourage the continuity of care that CMS is seeking.
3. Research state licensing guidelines. If the MAO determines that developing a hospice will provide the most continuity of care for beneficiaries, state guidelines should be researched to begin the licensing and provider approval processes.
4. Does the MAO have the expertise and staff to manage hospice members more cost effectively than FFS Medicare?
5. Are there opportunities to improve palliative care and reduce end of life care costs for members not choosing Hospice?
6. Watch for further information on the final capitation rate methodology from Wakely. CMS will publish the final hospice capitation rates in April 2020.
7. Apply online no later than April 24, 2020 if the MAO is interested in the Hospice VBID for CY2021.

- [1] CMS, "Medicare Advantage Value-Based Insurance Design Model," [Online]. Available: <https://innovation.cms.gov/files/x/vbid-hospice-rfa2021.pdf>.
- [2] CMS, "Medicare Advantage Value-Based Insurance Design Model," [Online]. Available: <https://innovation.cms.gov/files/worksheets/vbid-cy21-hospicecomp-databook.xlsb>.
- [3] Wakely, "Wakely Hospice VBID Part 1: New Option for Medicare Advantage Plans in CY2021," [Online]. Available: <https://www.wakely.com/blog/wakely-hospice-vbid-part-1-new-option-medicare-advantage-plans-cy2021>.

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Please contact Jackson Hall at [jacksonh@wakely.com](mailto:jacksonh@wakely.com) or Alison Pool at [alisonp@wakely.com](mailto:alisonp@wakely.com) with any questions or to follow up on any of the concepts presented here.