

Executive Summary

Value of Hospice in Medicare

Research by

NORC at the University of Chicago

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Introduction

The National Association for Home Care & Hospice (NAHC) and the National Hospice & Palliative Care Organization (NHPCO) commissioned NORC at the University of Chicago (NORC) to assess the value of hospice to the Medicare program and to beneficiaries, their families, and caregivers. NORC found the total costs of care for Medicare beneficiaries who used hospice was 3.1 percent lower than those who did not, and that earlier enrollment in hospice and longer lengths of stay likely reduce overall Medicare spending.

Background

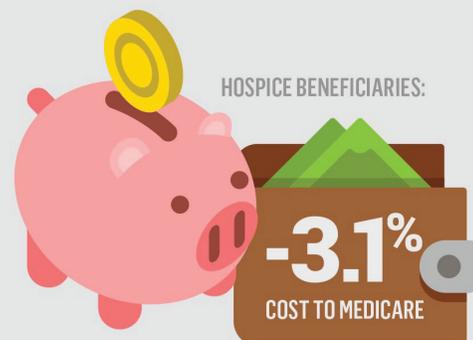
Increases in enrollment (16.5 percent) and spending (31 percent) in the Medicare hospice benefit from 2015 to 2019 led the Medicare Payment Advisory Commission (MedPAC) in 2023 to [recommend a decrease in hospice spending](#) relative to the statutory update by \$250 million to \$750 million in one year and between \$5 billion and \$10 billion over five years.

FINDINGS

In 2019, hospice saved Medicare:

\$3.5bn

NORC estimates that Medicare spending for those who received hospice care was \$3.5 billion less in 2019 than it would have been had they not received hospice care.



Key Findings

- In the last year of life, **the total costs of care for Medicare beneficiaries who used hospice was 3.1 percent lower.**
 - **This reduction in spending translates to an estimated \$3.5 billion less in Medicare outlays** for beneficiaries in their last year of life.
- **Examination of Medicare spending in policy-relevant length of stay groupings (0-14 days, 15-30, 31-60, etc.) found that total Medicare spending in the 12 months preceding death is consistently lower for beneficiaries with LOS of 15 days or more**, compared to beneficiaries who did not use hospice, regardless of disease group.
- **Furthermore, analyses to find the specific day when Medicare spending for non-hospice users equals spending for hospice users—revealed the “break-even” point at day 10. Starting on day 11 (prior to death), hospice users’ Medicare spending is lower compared to spending for non-hospice users. In other words, earlier enrollment in hospice—and longer lengths of stay—may reduce Medicare spending.**
- **Hospice stays of six months or more add value to Medicare.** For those who spent at least 6 months in hospice in the last year of their lives, spending was 11 percent lower than the adjusted spending of beneficiaries who did not use hospice.
 - When sorted by disease group, spending ranged from being 4 percent lower for neurodegenerative disease to 25 percent lower for chronic kidney disease/end stage renal disease (CKD/ESRD).
- At any length of stay, **hospice care benefits patients, family members, and caregivers.** From increased satisfaction and quality of life, to improved pain control, to reduced physical and emotional distress, and reduced prolonged grief and other emotional distress, hospice offers multiple benefits to patients, families, and caregivers.

Approach

NORC assessed the value of Medicare’s hospice benefit by using administrative claims data to estimate beneficiary utilization and the impact of hospice use on Medicare spending. NORC analyzed utilization of health services and costs of care for the last 12 months of life for 960,000 FFS beneficiaries. This sample includes just over 500,000 people who used hospice prior to death. NORC compared the outcomes of Medicare beneficiaries who had a hospice stay immediately prior to death to Medicare decedents who did not have a hospice stay but otherwise had a similar risk profile. Differences in chronic health status, end-of-life (EOL) diagnoses, and demographics between the two populations were addressed with a propensity weight model.

