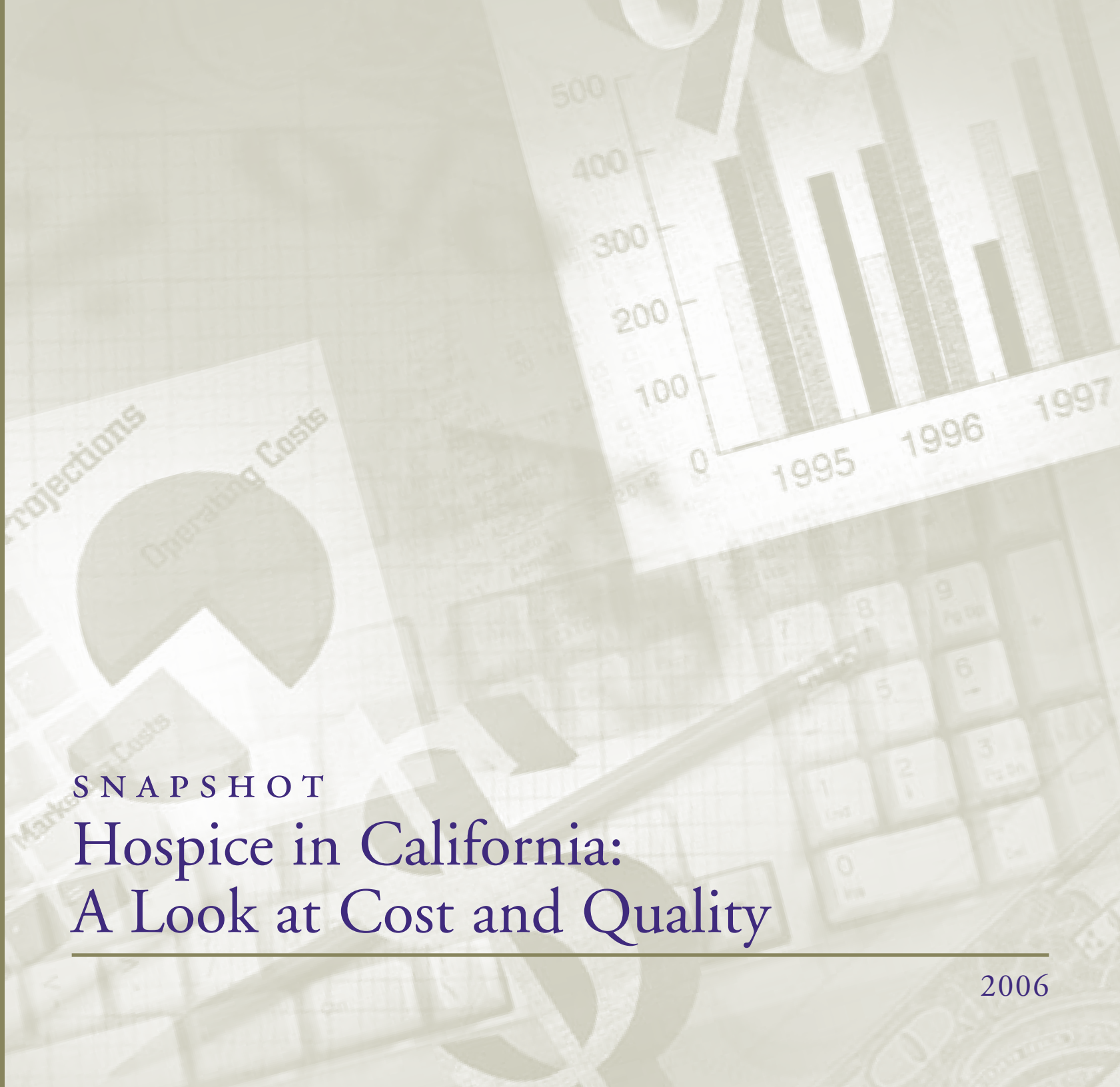


California HealthCare Foundation

SNAPSHOT

Hospice in California: A Look at Cost and Quality

2006

Introduction

Hospice is an approach to caring for terminally ill patients that stresses palliative care, which is the relief of pain and suffering, rather than an attempt to cure an incurable illness. Hospice programs provide care in a variety of settings, including homes, free-standing hospice facilities, nursing homes, and special units of hospitals.

While most people in California die in hospitals, patient surveys reveal that they would prefer to die at home with support from caregivers. Hospice fills that need. Since 1996, the number of hospice programs in California has remained fairly stable, while the number of patients using hospice has doubled. An aging population and an increasing awareness and acceptance of hospice care may be fueling this increase.

To qualify for care, a doctor must agree that a patient has less than six months to live and must agree to extend hospice services every 90 days. If the patient lives longer than six months, a doctor must approve extension of services every 60 days. Patients can move in and out of hospice care if their medical condition changes.

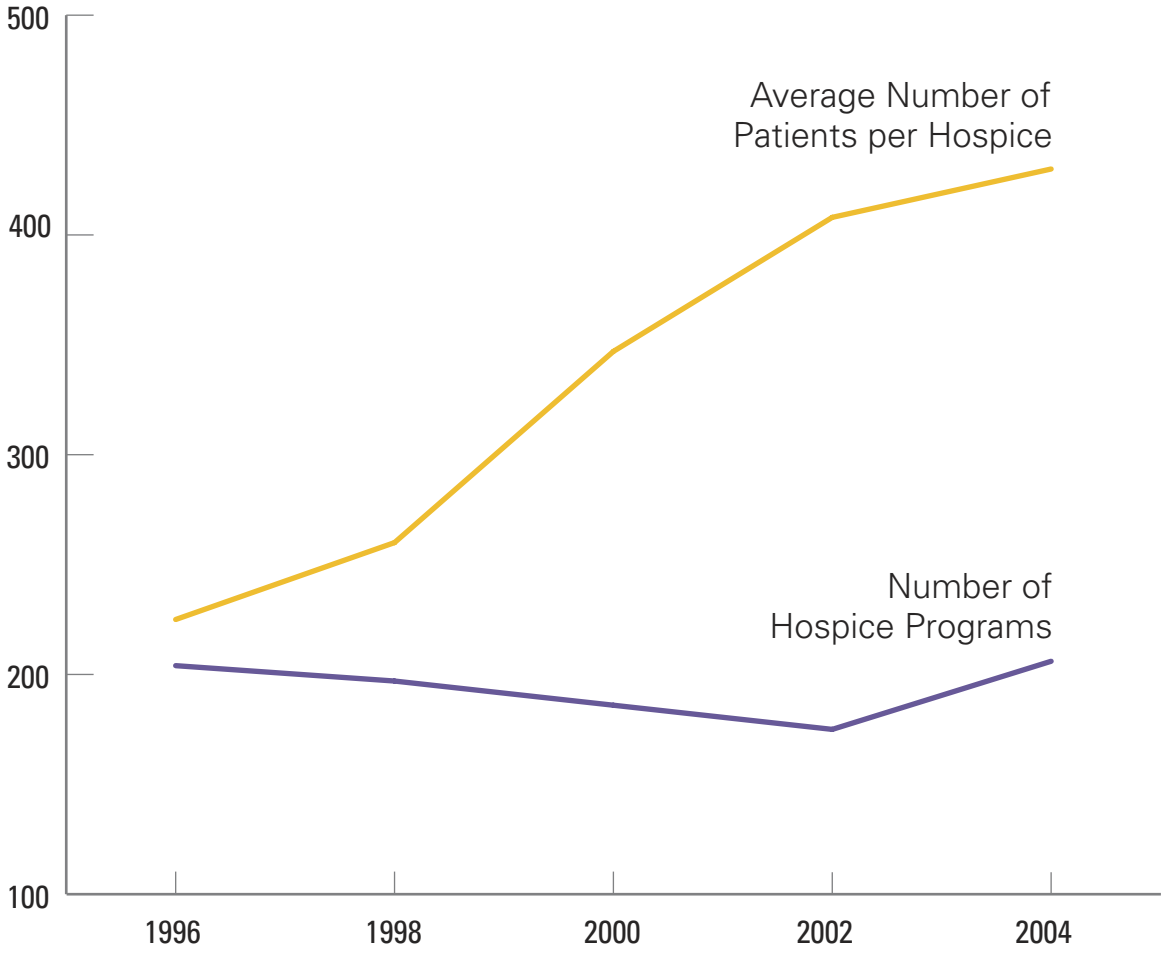
This report provides a snapshot of hospice utilization, costs, and quality in California from 1996 through 2004.

KEY FINDINGS INCLUDE:

- More than 88,000 Californians sought hospice services in 2004, a 93 percent increase from the 46,000 who used hospice in 1996.
- Fifty percent of hospice patients were over 80 years old.
- One in four hospice patients sought care during the last five days of their lives.
- Medicare paid for 82 percent of hospice care, averaging $6,500 per patient, almost $1,500 less than the national average.

Hospice is an approach to caring for terminally ill patients that stresses relief of pain and suffering rather than curative care.

Trend in Hospice Utilization, 1996–2004

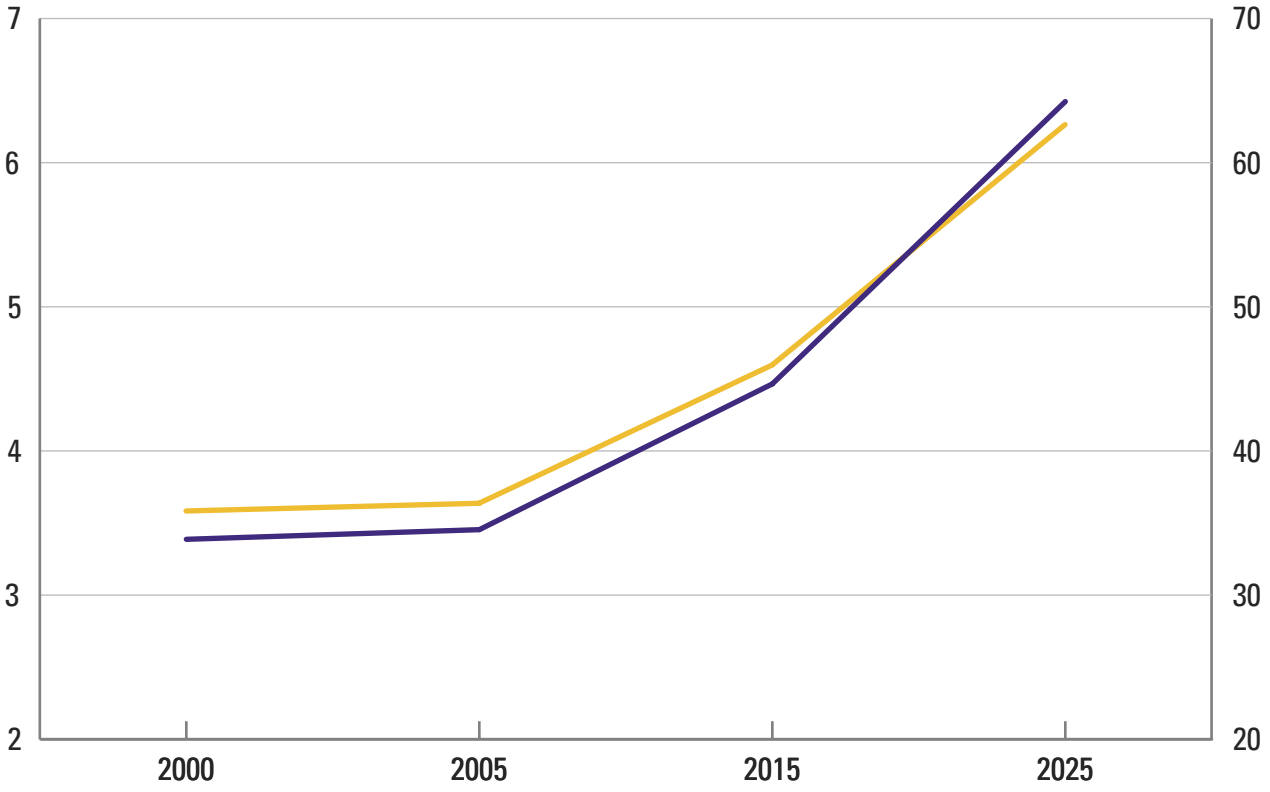


	1996	1998	2000	2002	2004
Average Number of Patients per Hospice	225	260	347	408	430
Number of Hospice Programs	204	197	186	175	206

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 1996–2004.

The number of hospice programs in California remained stable from 1996 to 2004, while the average number of patients treated in each hospice program nearly doubled. The growth may be, in part, related to increasing awareness and acceptance of hospice care.

California's Population Is Aging

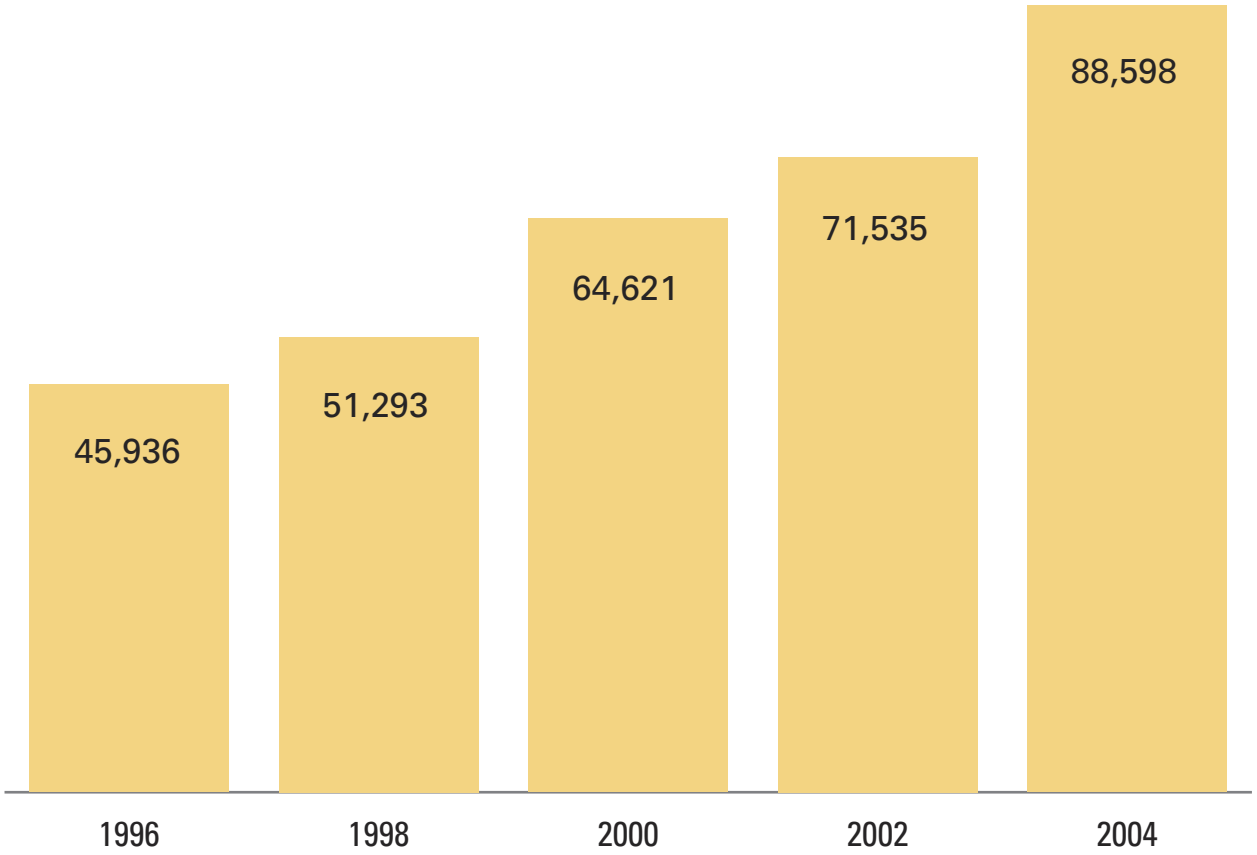


CA	3.387	3.454	4.465	6.424
U.S.	35.835	36.370	45.959	62.641

Source: U.S. Census Bureau, 2003: State Population Projections and Population Projections Program, Population Division.

As the population ages, the demand for long-term nursing care will increase. The number of California residents age 65 and over is projected to nearly double by 2025—a larger growth rate than any other state or the United States overall (75 percent).

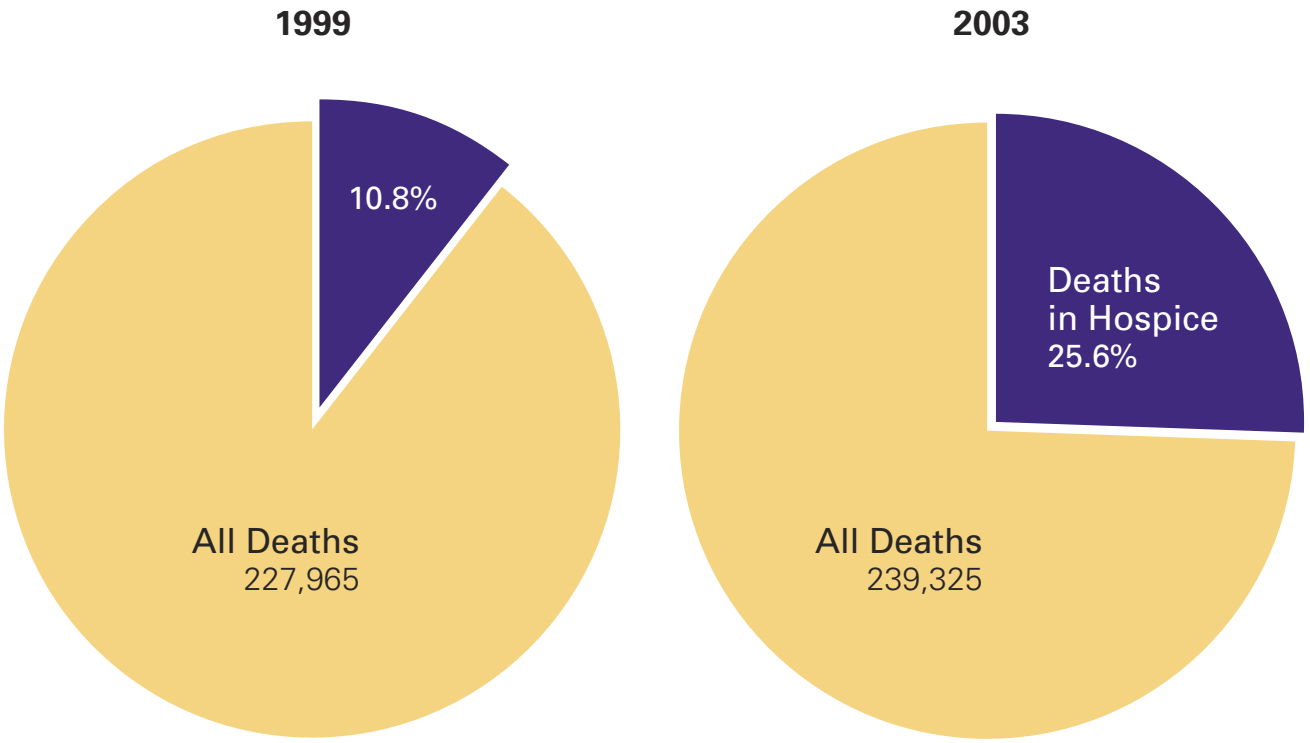
Number of Patients in Hospice Programs, 1996–2004



Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 1996–2004.

The number of patients in California using hospice services increased 93 percent over an eight-year time period. Along with greater awareness and acceptance of hospice care, this growth may be fueled by California's burgeoning elderly population.

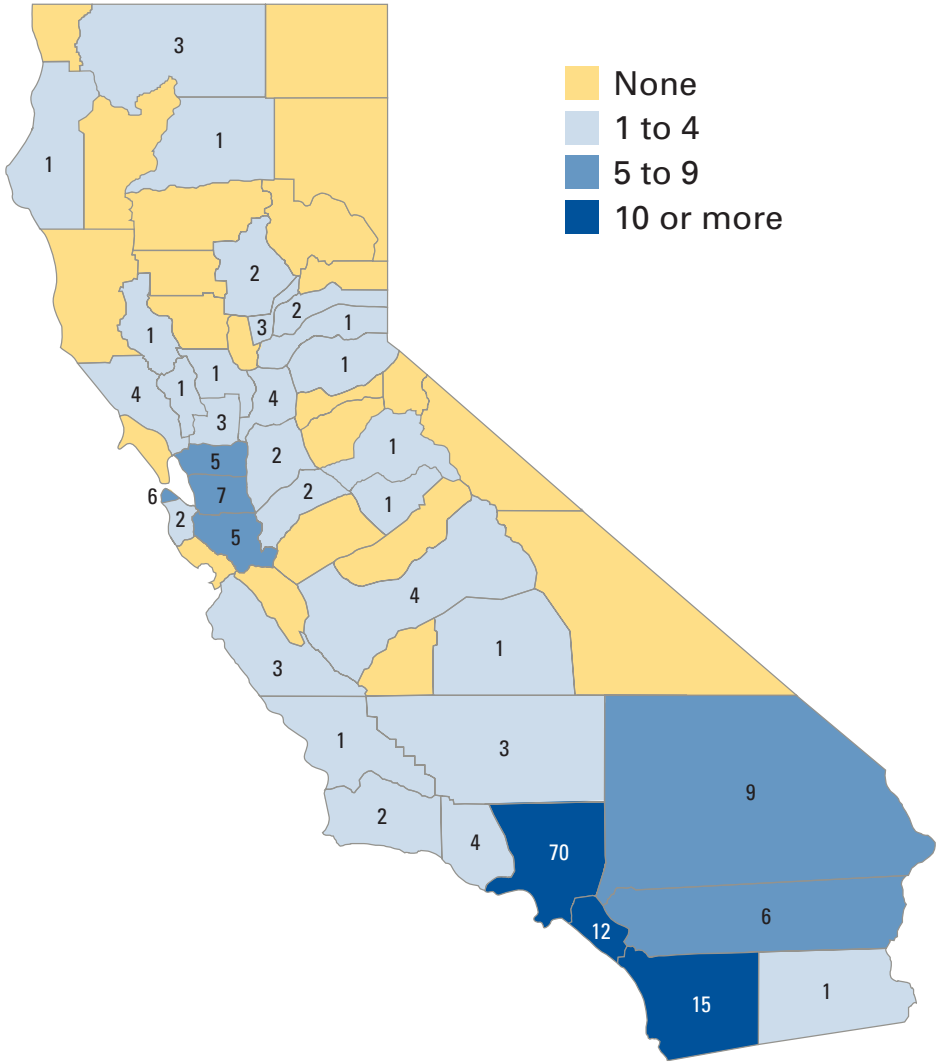
Percentage Who Received Hospice Care,
1999 and 2003



Sources: California Department of Health Services, Center for Health Statistics; Vital Statistics of California 1999, page 150; Vital Statistics of California 2003, page 121. Office of Statewide Health Planning and Development from the Annual Utilization Report of Home Health Agencies/Hospices; data reported for 1999 and 2003, respectively.

Within the span of four years, the percentage of Californians who received hospice care rose from 10.8 to 25.6 percent. Factors influencing this trend include California's growing elderly population and changing attitudes toward hospice care.

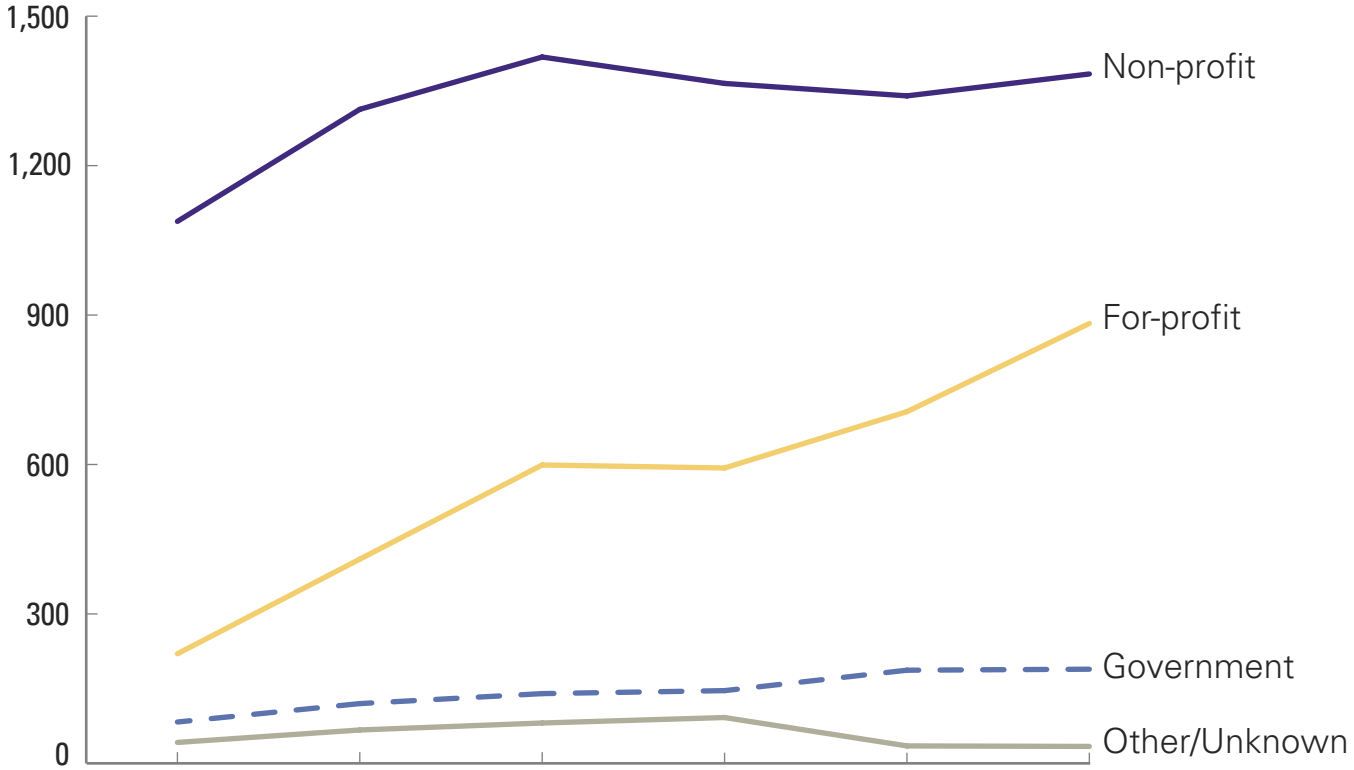
Number of Hospice Programs by County, 2004



Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Data from the Office of Statewide Health Planning and Development, 2004.

Most hospital-based hospice programs cluster in metropolitan areas. Although the state has 190 hospice programs, 22 of California's 58 counties (nearly 38 percent) offer no hospice programs, making it difficult for patients living in those counties to find hospice care.

Number of Hospice Providers by Ownership Type, U.S., 1993–2003

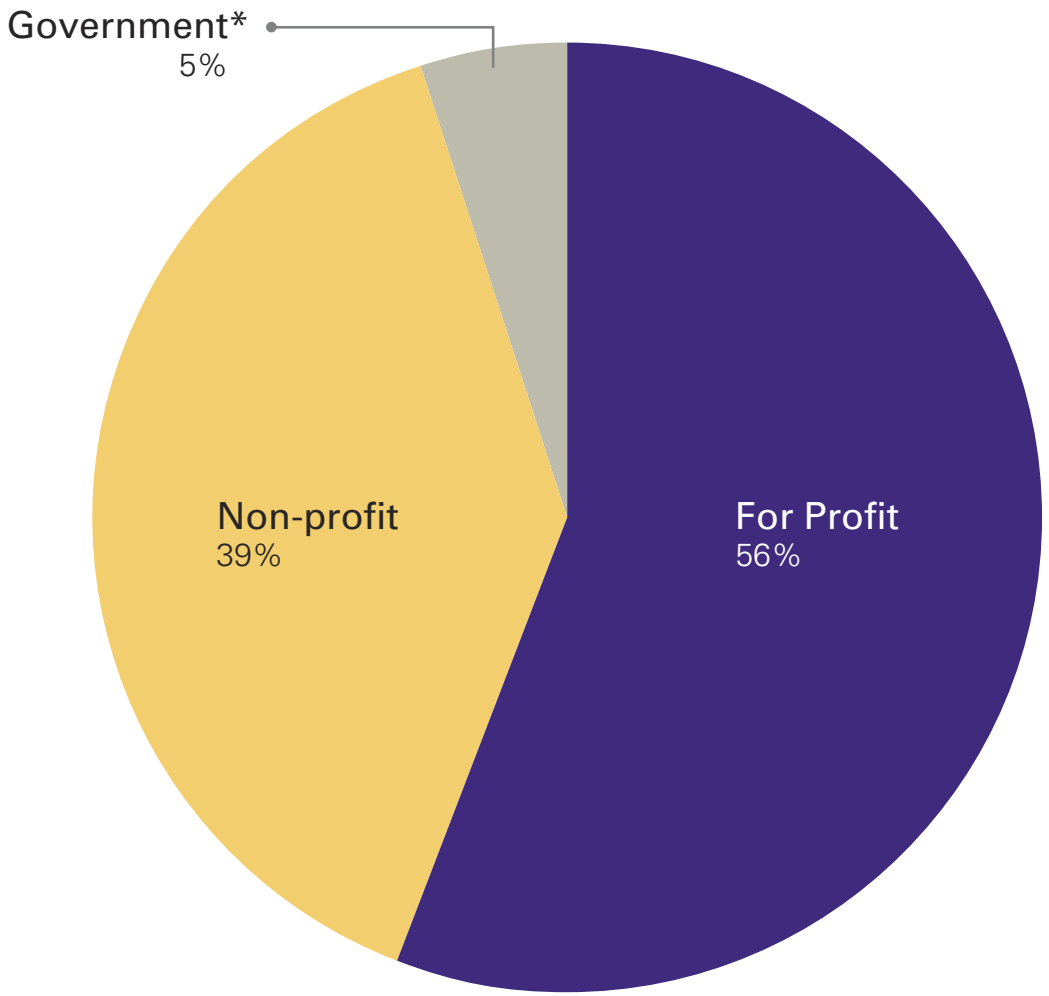


	1993	1995	1997	1999	2001	2003
Non-profit	220	410	599	593	706	883
For-profit	1,088	1,313	1,418	1,365	1,340	1,384
Government	83	120	140	146	187	189
Other/Unknown	42	67	81	92	35	34

Sources: General Accounting Office, *Medicare: More Beneficiaries Use Hospice, but for Fewer Days of Care,* Washington, DC: 2000, Publication no. HEHS-00-182. The Medicare Payment Advisory Committee (MedPAC), *New Approaches in Medicare-Report to Congress,* Chapter 6: "Hospice Care in Medicare: Recent Trends and a Review of the Issues" (www.medpac.gov/publications/congressional_reports/June04_ch6.pdf).

In the United States, the number of for-profit hospices quadrupled from 1993 to 2003, while the number of non-profits grew just 27 percent.

Ownership of Hospice Programs, 2004



*Government-owned hospices are hospital-based facilities and run by cities, counties, districts, or the Veterans Administration.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, 2004.

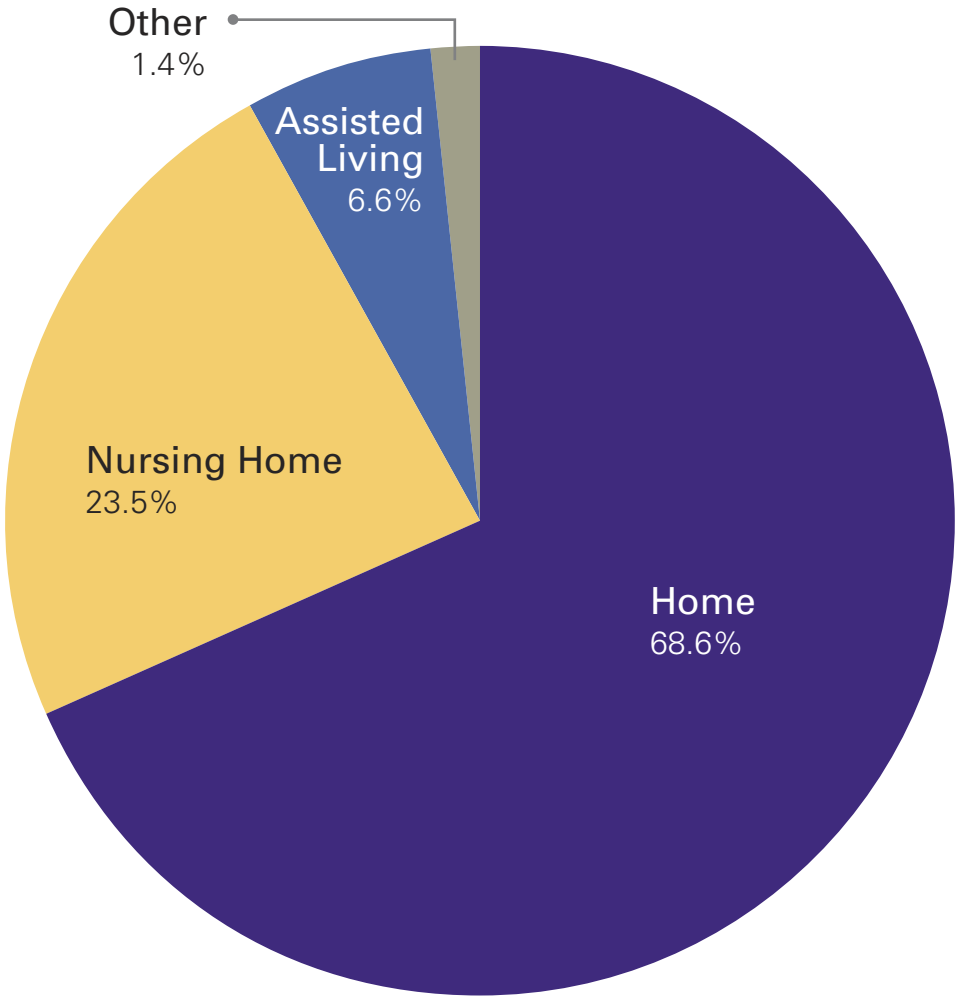
More than half of California's hospice programs are for-profit enterprises. Patients of for-profit hospices receive significantly fewer noncore services than patients of non-profit hospices.

Core services include counseling (including bereavement services), social services, volunteer services, spiritual care, dietary and nutritional services, physician services, and skilled nursing services.

Noncore services include continuous home care, occupational therapy, IV therapy, physical therapy, durable medical equipment and supplies, medications, personal care, homemaker services, and inpatient respite care.

Source: Carlson, M.D.A., Gallo, W.T. and Bradley, E. H., Ownership Status of Care in Hospice, Medical Care, Volume 42, Number 5, May 2004.

Where Hospice Patients Receive Care, 2004

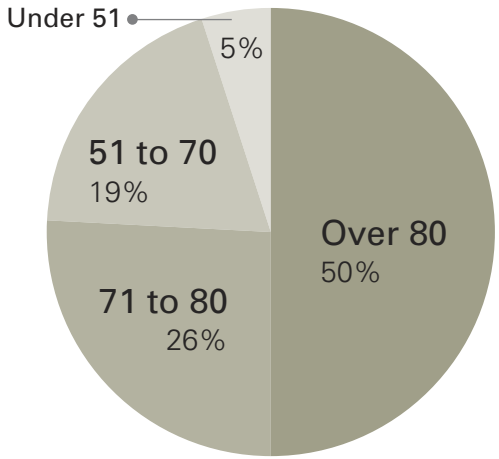


Sources: Office of Statewide Health Planning and Development, Annual Utilization Report of Home Health Agencies/Hospices; data reported for 2004.

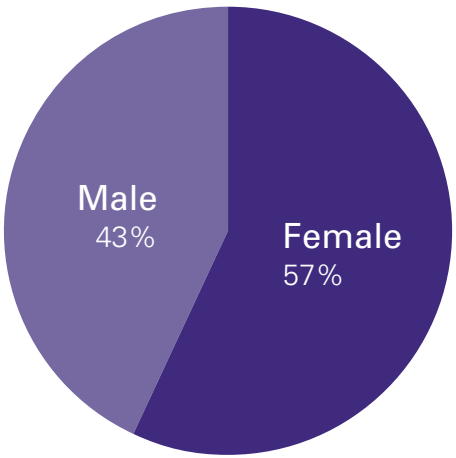
Although hospice services can be provided wherever a person resides, most people in California receive hospice care at home.

Characteristics of Hospice Patients, 2004

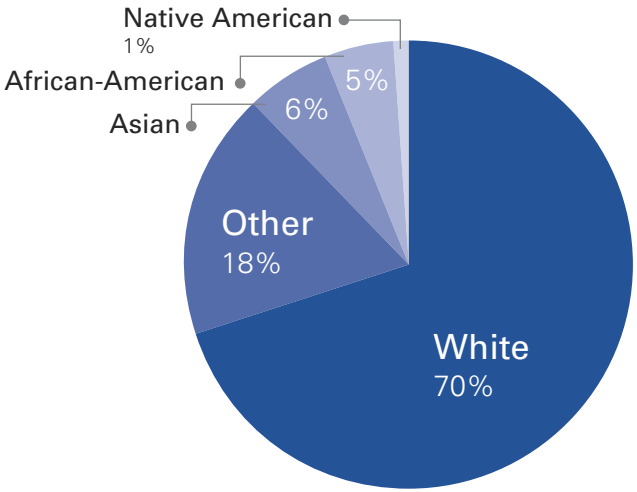
Age



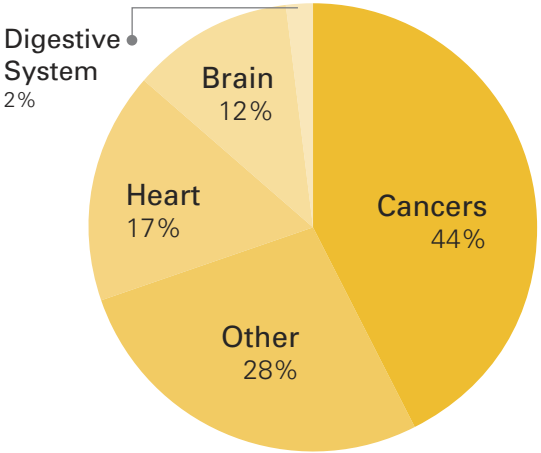
Gender



Race*



Primary Diagnosis
(Disease Areas)

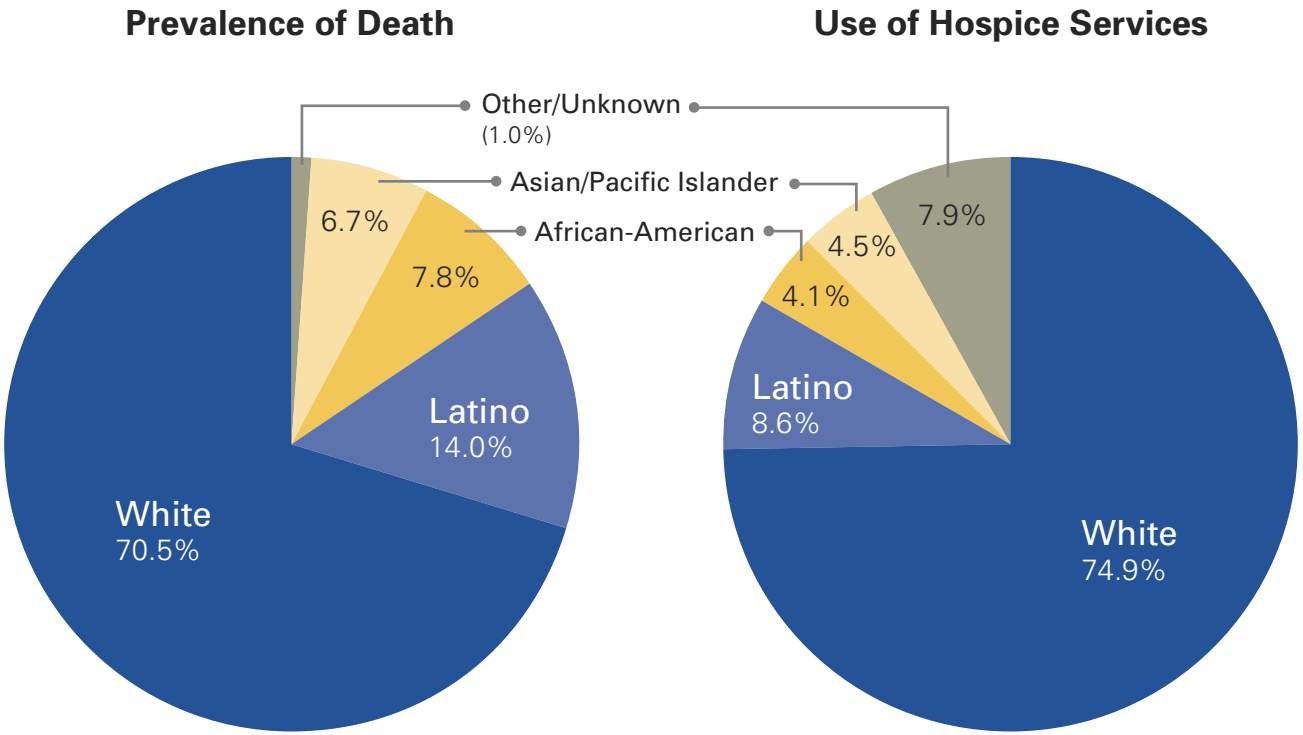


*Race and ethnicity are recorded separately in the OSHPD data base. Hospice usage for Latinos, an ethnic group, is 9 percent.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 2004.

In 2004, half of all hospice patients in California were 81 years old or older. Slightly more than half were female, and the vast majority were white. Despite the perception that hospice is a service for people with cancer, fewer than half of hospice patients (44 percent) had cancer as their primary diagnosis.

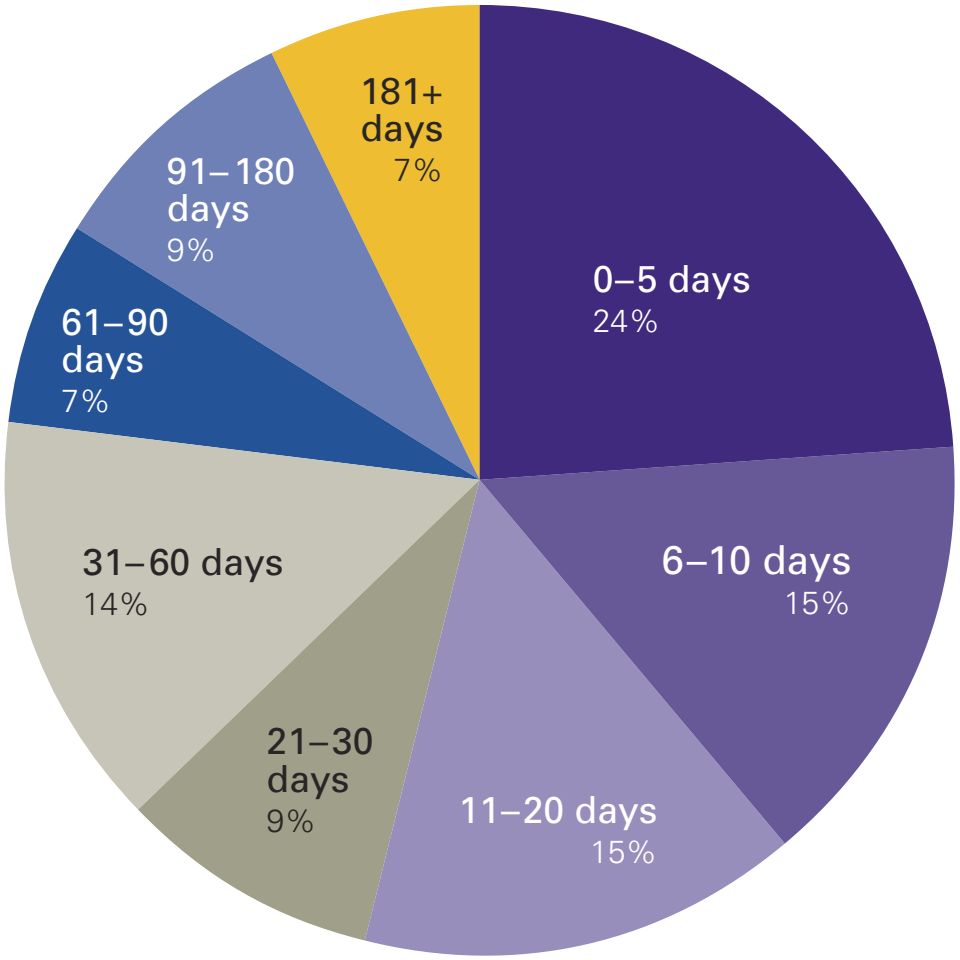
Prevalence of Death and Use of Hospice Services by Ethnicity, 2003



Sources: California Department of Health Services, Center for Health Statistics, Vital Statistics of California 2003, Table 5-5 Deaths by Age, Sex, and Race/Ethnic Group, California, 2003. Office of Statewide Health Planning and Development from the Annual Utilization Report of Home Health Agencies/Hospices; data reported for 2003.

White patients constitute the greatest percentage of all deaths in California, and they are more likely to use hospice services than patients from any other race or ethnic group.

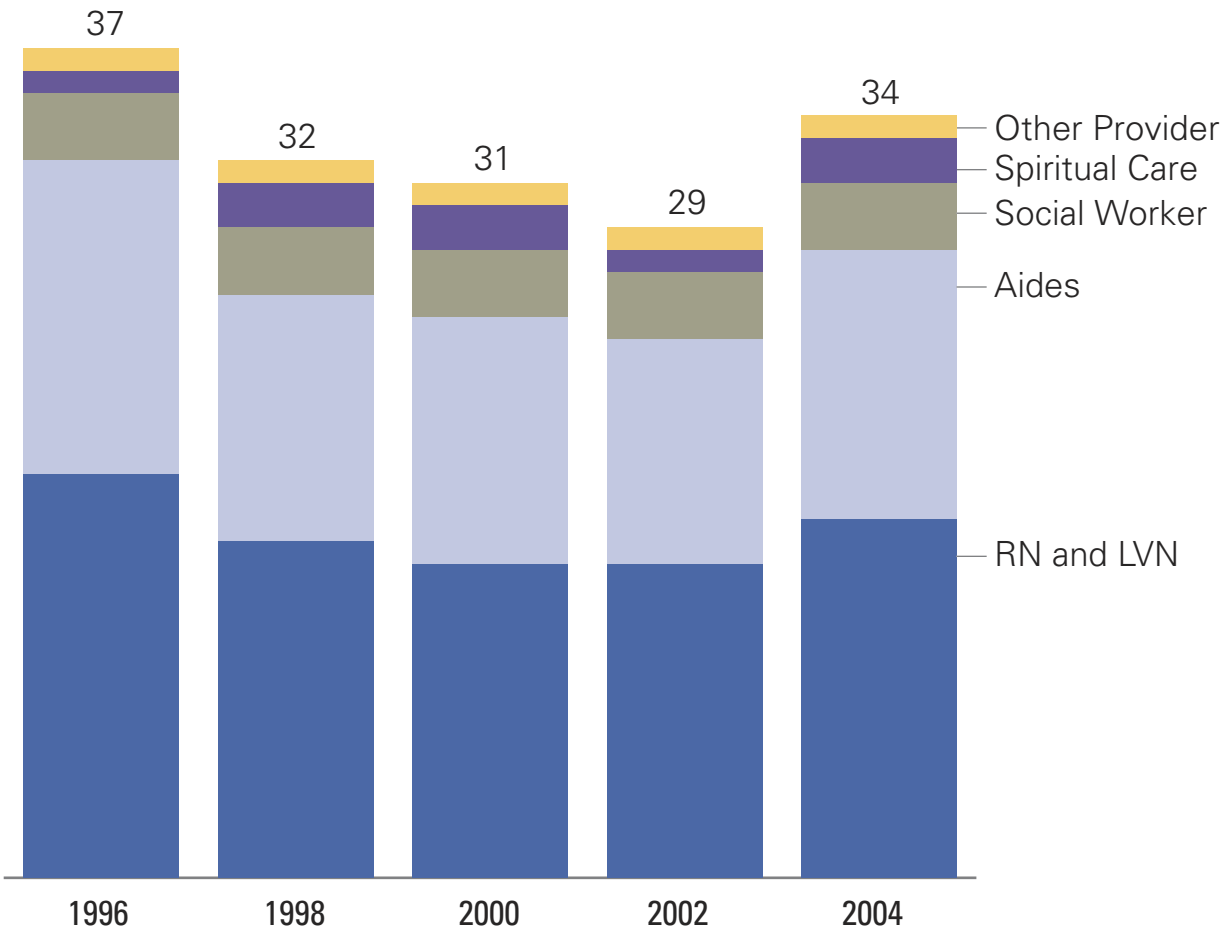
Length of Stay in Hospice, 2004



Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 2004.

In California, even though patients with a prognosis of six months or less to live are eligible for hospice care, nearly two-thirds receive hospice services for less than one month. Many patients benefit from being referred to hospice earlier, where they receive better pain management and have an improved quality of life.

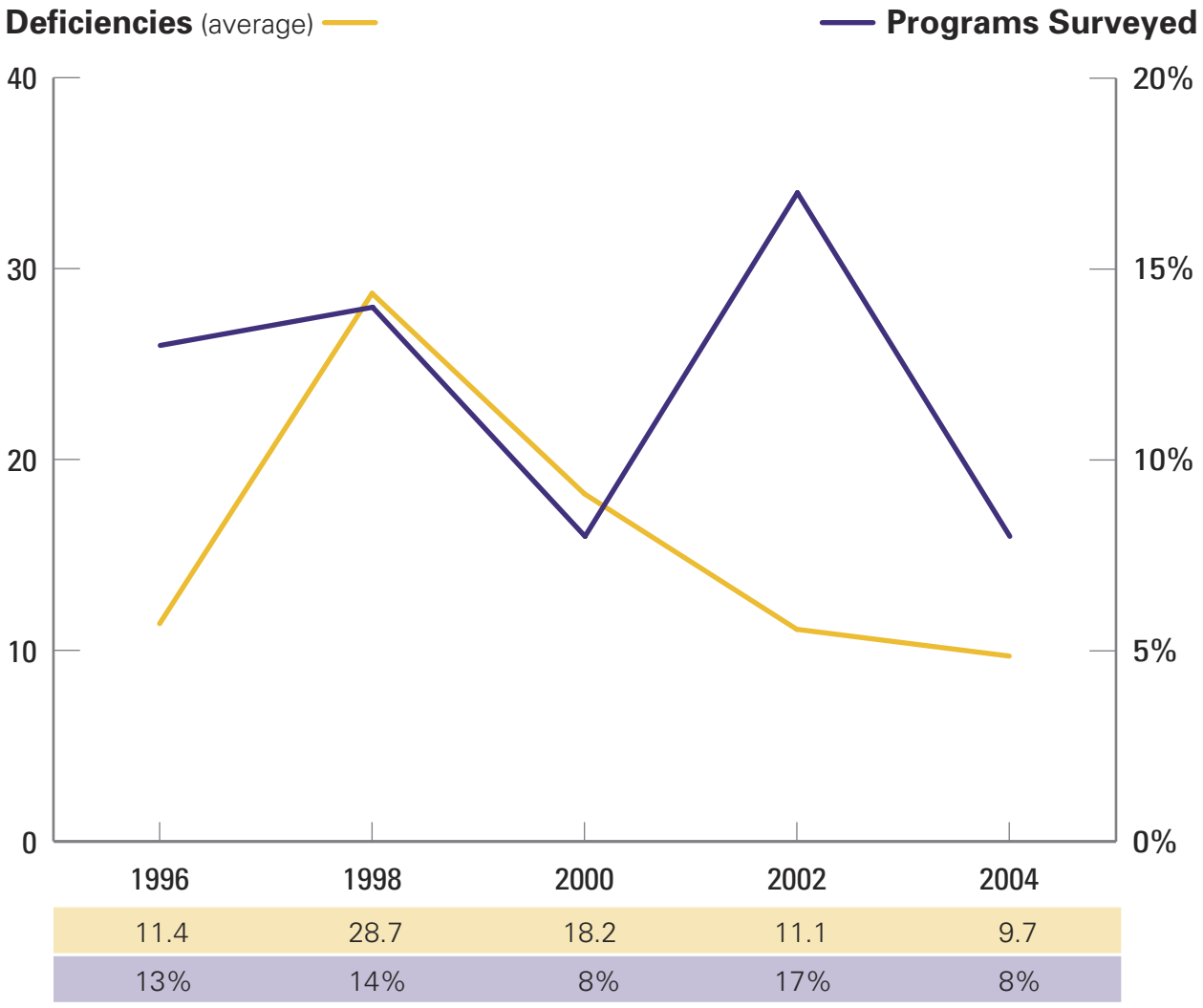
Average Number of Patient Visits by Provider Type, 1996–2004



Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 1996–2004.

Licensed nurses and nursing aides are the primary providers of hospice care in California. Although the average number of visits decreased 8 percent from 1996 to 2004, the proportion of care given by each type of provider has remained relatively stable.

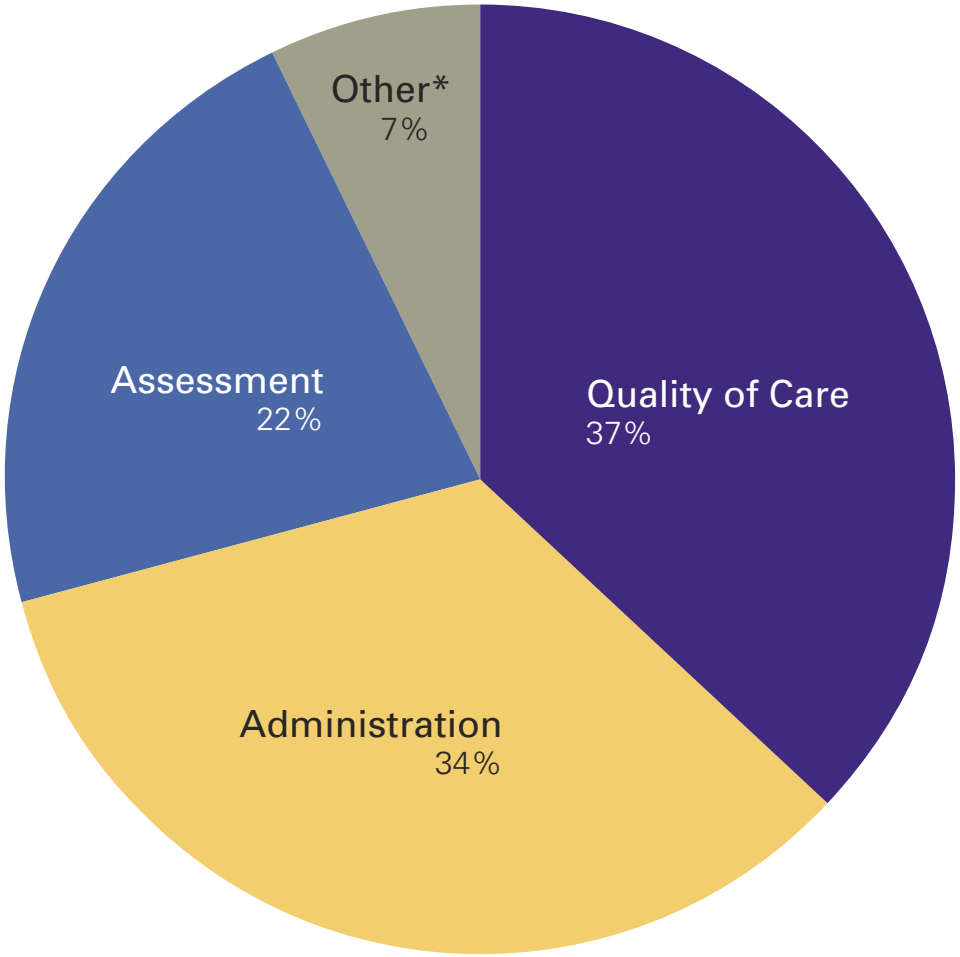
Number of Federal Deficiencies vs. Share of Programs Surveyed, 1996–2004



Source: Janis O'Meara and Charlene Harrington, University of California. San Francisco. Calculations provided using the California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, 1996–2004.

Using federal standards, the state survey agency certifies hospice programs in California. The average number of deficiencies for violations of federal standards more than doubled from 1996 to 1998 and then dropped below the 1996 level by 2004.

Types of Hospice Deficiencies, 2004

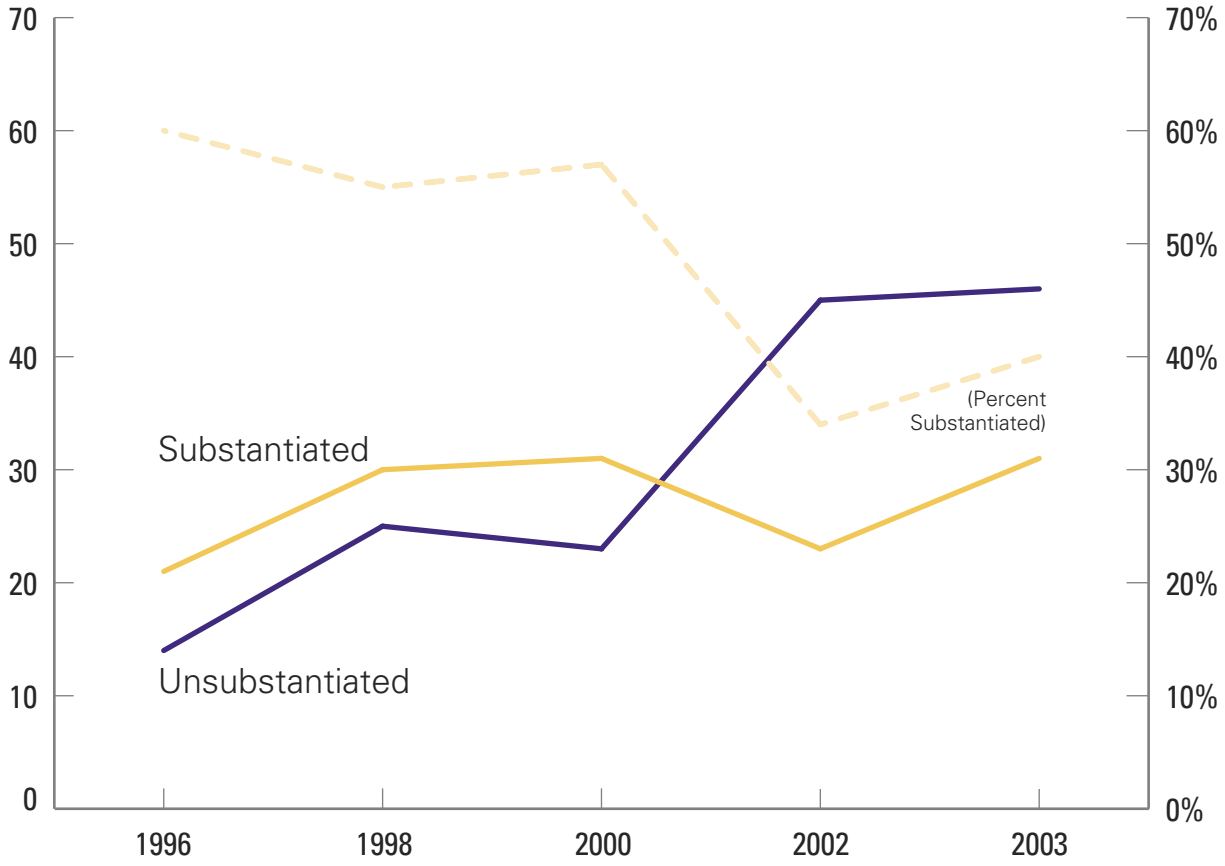


*Other includes: environment, life safety, nutrition, and patient rights.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, 2004.

Although "Quality Care" is itself a federal deficiency category, deficiencies in other categories can significantly affect the quality of patient care in California. For example, patients admitted to hospice programs should be assessed to determine the best treatments for their needs. If patients do not receive assessments or if their assessments are incorrect, they may receive inappropriate care.

Total Complaints for Hospice Programs, 1996–2004



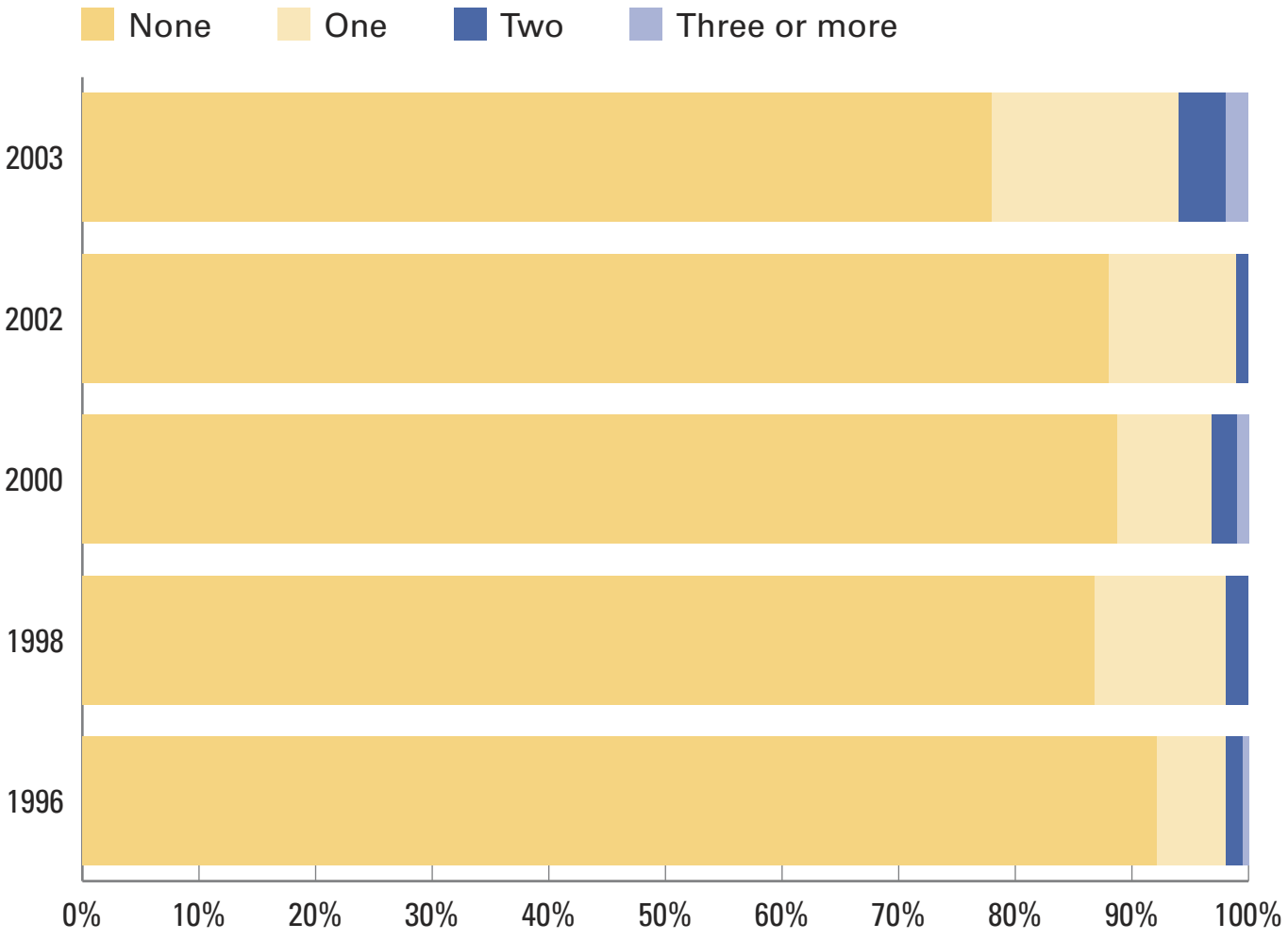
	1996	1998	2000	2002	2003
(Percent Substantiated)	21 (60%)	30 (55%)	31 (57%)	23 (34%)	31 (40%)
Unsubstantiated	14	25	23	45	46
TOTAL	35	55	54	68	77

Note: Complaints are not categorized by their nature or severity.

Source: Janis O'Meara and Charlene Harrington, University of California. San Francisco. Calculations provided using the California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, 1996–2004.

Just as the number of patients using hospice services in California has grown, so has the number of complaints. Although the number of substantiated complaints has remained somewhat stable, the number of unsubstantiated complaints has risen more significantly. Unsubstantiated complaints do not always mean that a problem did not occur, but rather that there is no evidence to substantiate the claim.

Percent of Hospice Programs by Number of Complaints, 1996–2003

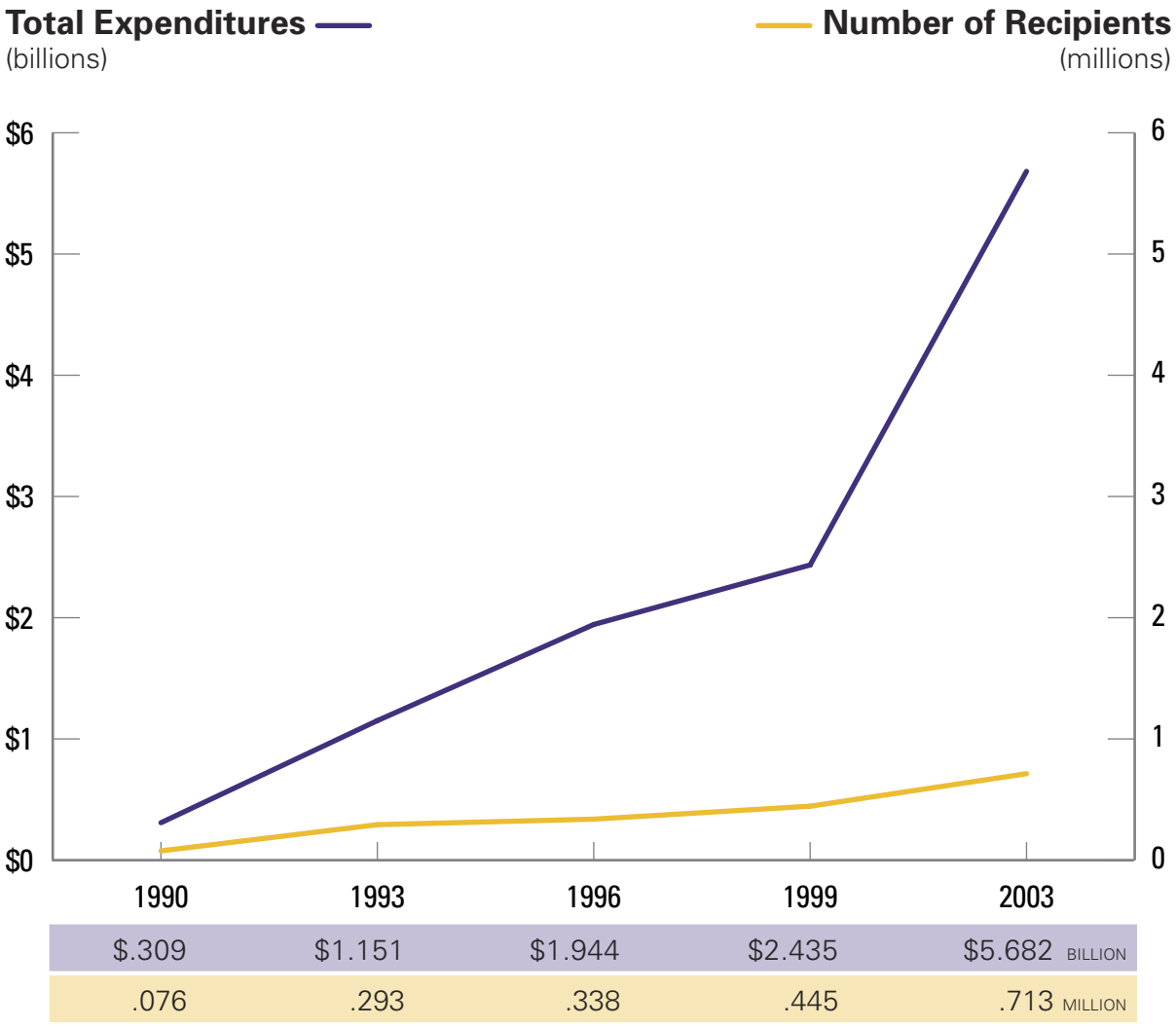


Note: Complaints are not categorized by their nature or severity.

Source: Janis O'Meara and Charlene Harrington, University of California. San Francisco. Calculations provided using the California Department of Health, Licensing and Certification Program, Automated Certification and Licensing Administrative Information and Management Systems (ACLAIMS) data, 1996–2003.

The vast majority of hospice programs do not receive any complaints, approximately 6 to 11 percent of agencies receive one complaint, 1 to 2 percent receive two complaints, and less than one percent receive 3 or more complaints.

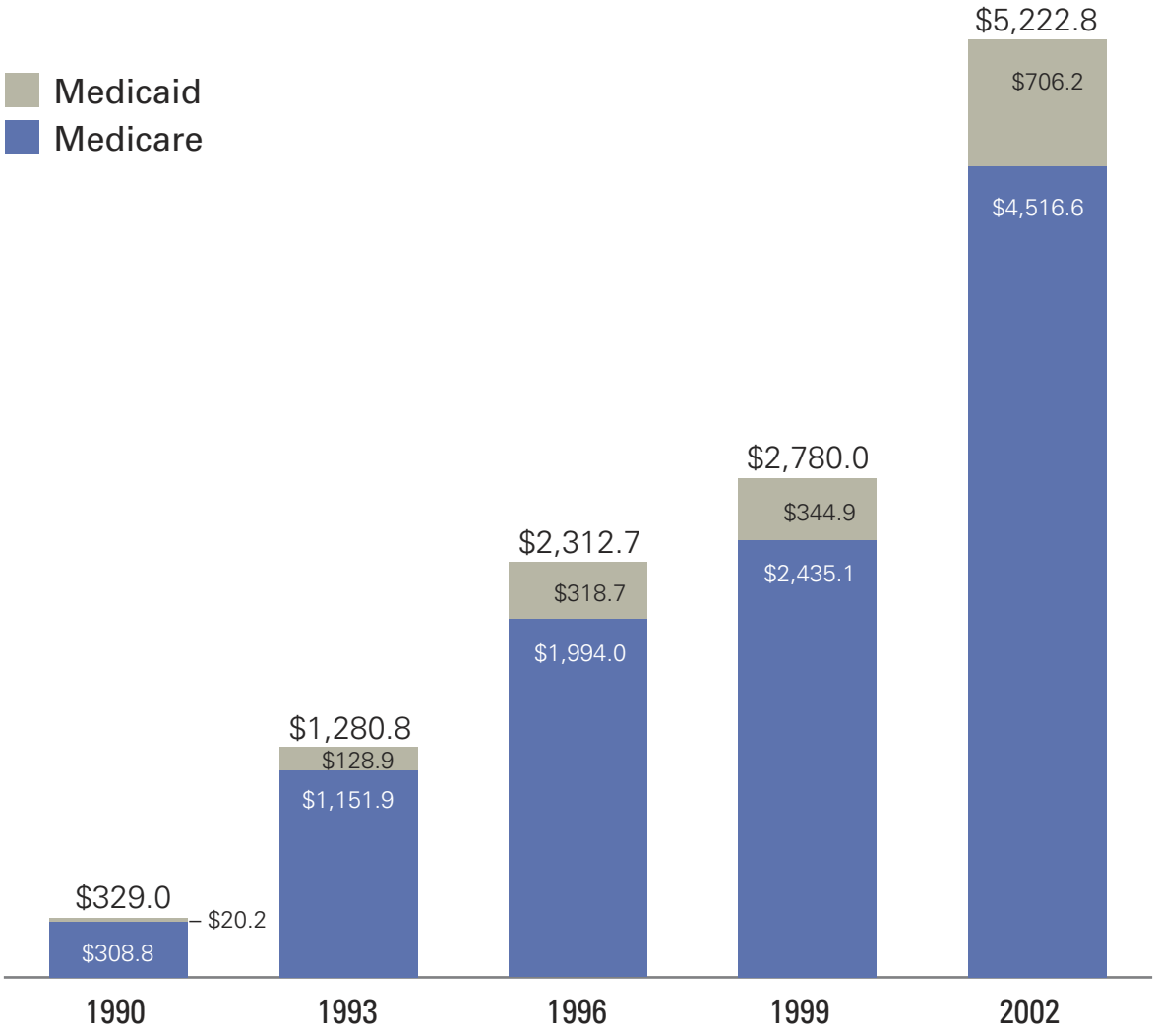
U.S. Medicare Hospice Patients and Expenditures, FY1990–FY2003



Source: National Association for Home Care. *Hospice Facts and Statistics,* March 2005; accessed March 27, 2006 (www.congressweb.com/nahc/docfiles/Basic%20Stats%20Hospice%202005.doc).

The number of Medicare recipients using hospice rose from 76,491 in 1990 to 713,400 in 2003, a ninefold increase over 14 years. In comparison, expenditures for Medicare rose at twice the client rate, and average expenditures per client nearly doubled—rising from $4,037 in 1990 to $7,965 in 2003.

U.S. Medicare and Medicaid Hospice Expenditures, FY1990–FY2002 (in millions)

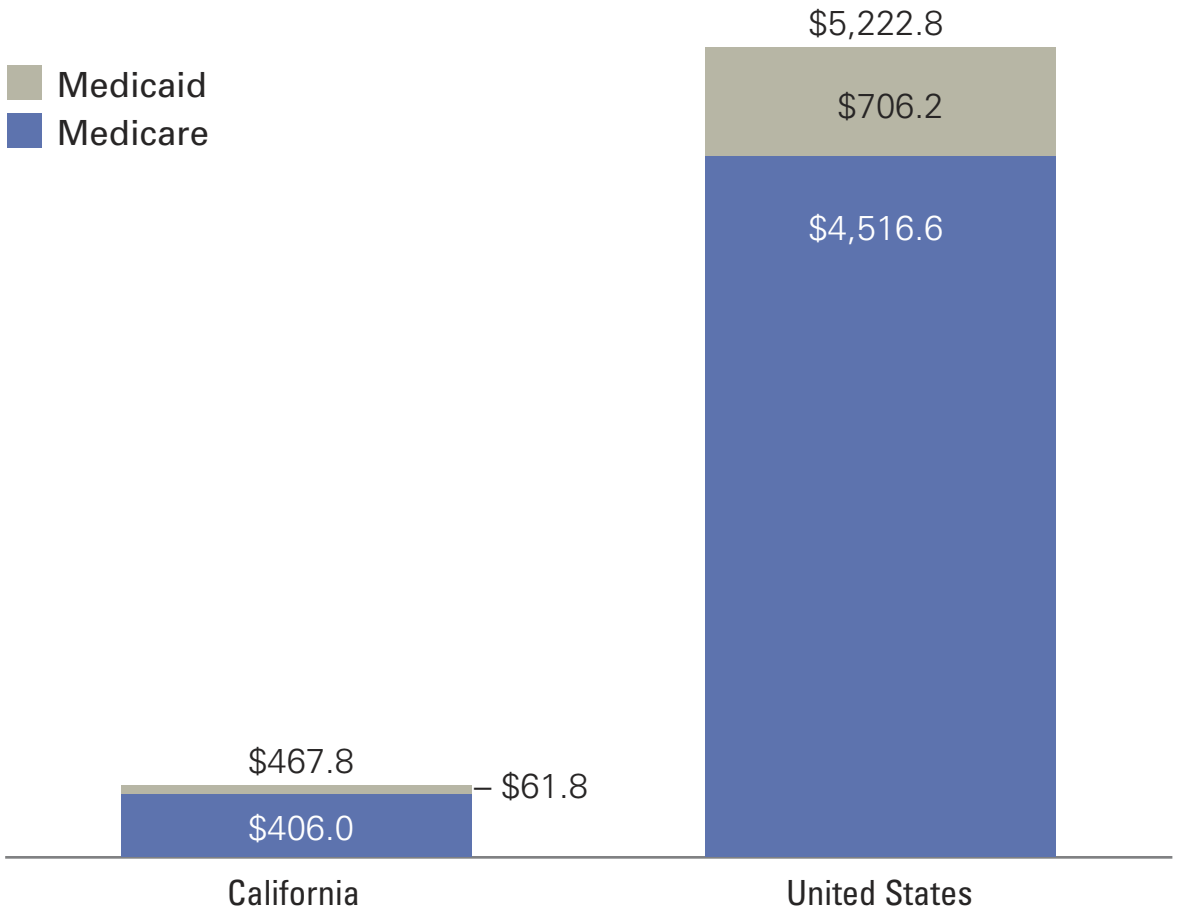


Source: National Association for Home Care. *Hospice Facts and Statistics,* March 2005; accessed March 27, 2006 (www.congressweb.com/nahc/docfiles/Basic%20Stats%20Hospice%202005.doc).

Total public expenditures for hospice care in the United States increased 16-fold over 13 years. Although Medicare pays for the greater share of hospice care, Medicaid's hospice expenditures are growing significantly faster than those for Medicare: a 35-fold increase vs. a 15-fold increase, respectively. In 2002, Medicaid accounted for 13.5 percent of total public expenditures for hospice, compared to 6.1 percent in 1990.

California and U.S. Medicare and Medicaid Hospice Expenditures,

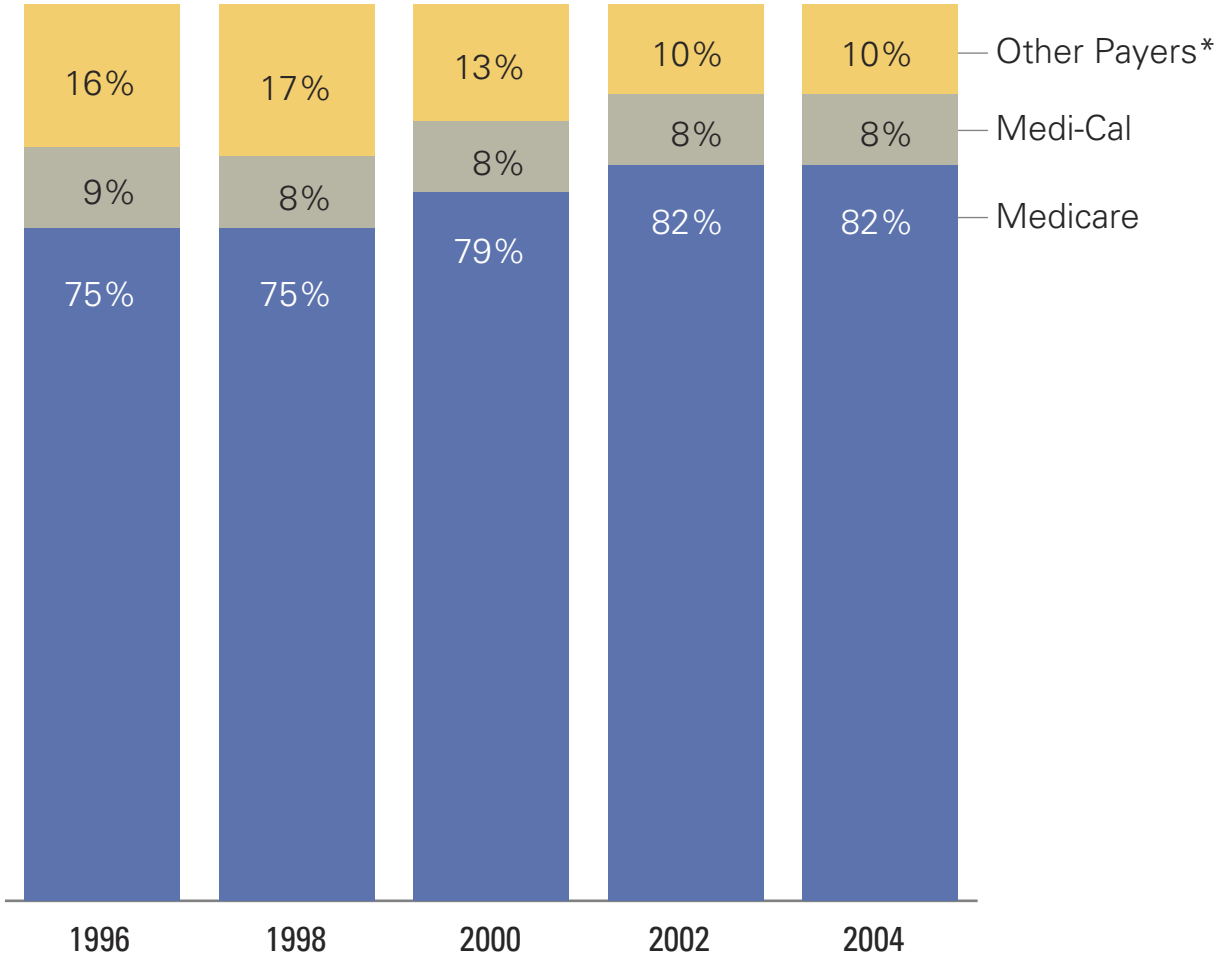
FY2002 (in millions)



Sources: U.S. and California Medicaid Hospice Benefits Data: Medicaid Financial Management Report FY 2002 (www.cms.hhs.gov/MedicaidBudgetExpendSystem/); accessed March 24, 2006. U.S. and California Medicare Hospice Payments Data: Table 54a—Number of Hospices, Number of Persons, Covered Days of Care, total Charges, and Program Payments for Services Used by Medicare Beneficiaries, By Area of Residence: Calendar Year 2002. (www.cms.hhs.gov/MedicareMedicaidStatSupp/); accessed March 29, 2006.

In 2002, California's Medicare and Medi-Cal expenditures for hospice totalled $468 million, approximately 9 percent of the $5.2 billion spent on hospice care nationally.

Payment Sources for Hospice Care,
1996–2004

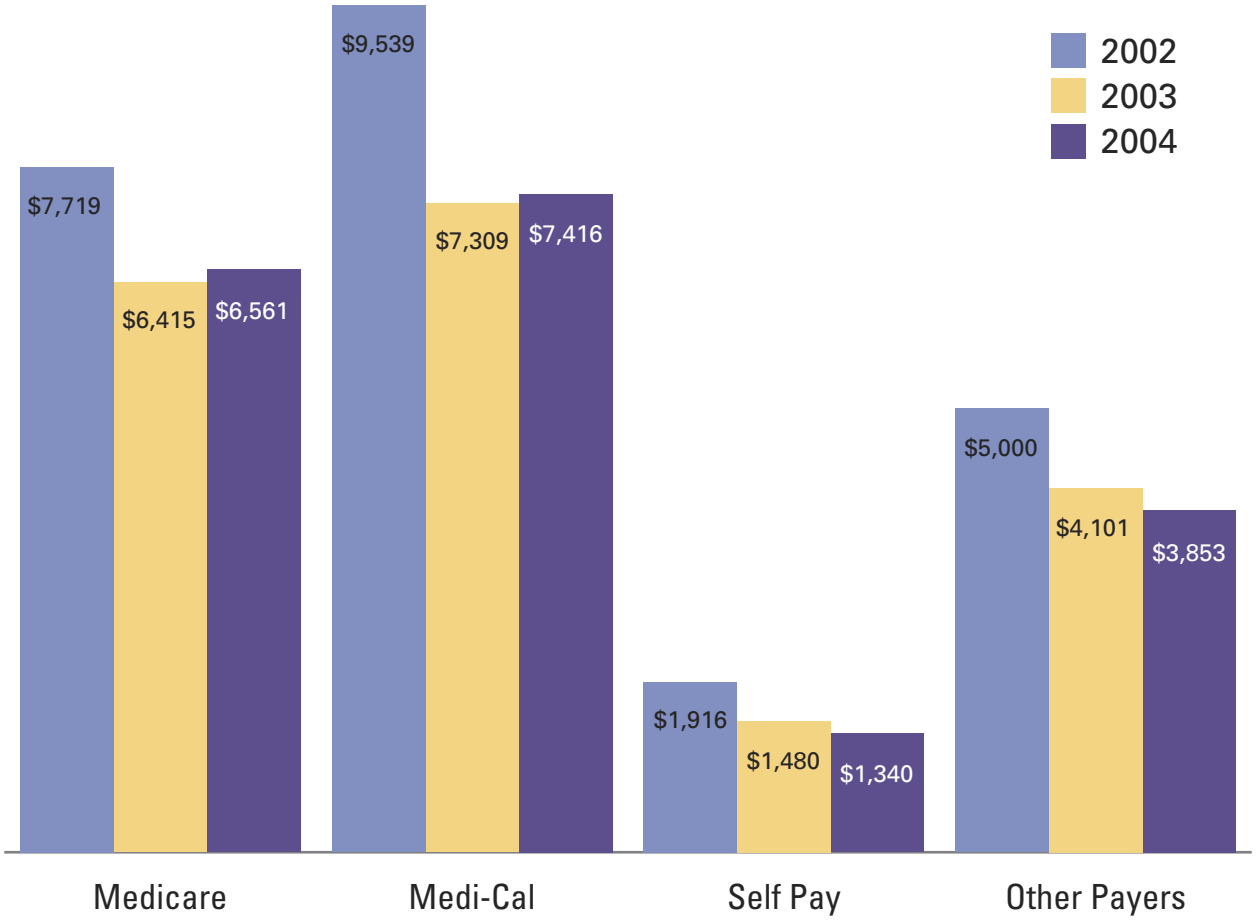


*Other payers include private insurance, managed care, charity, and self pay.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 1996–2004.

In California, Medicare is paying a growing portion of the costs for hospice care. The rise is due, in part, to the increasing number of eligible hospice services and patients opting for hospice care.

Average Payment per Patient by Payment Source, 2002–2004

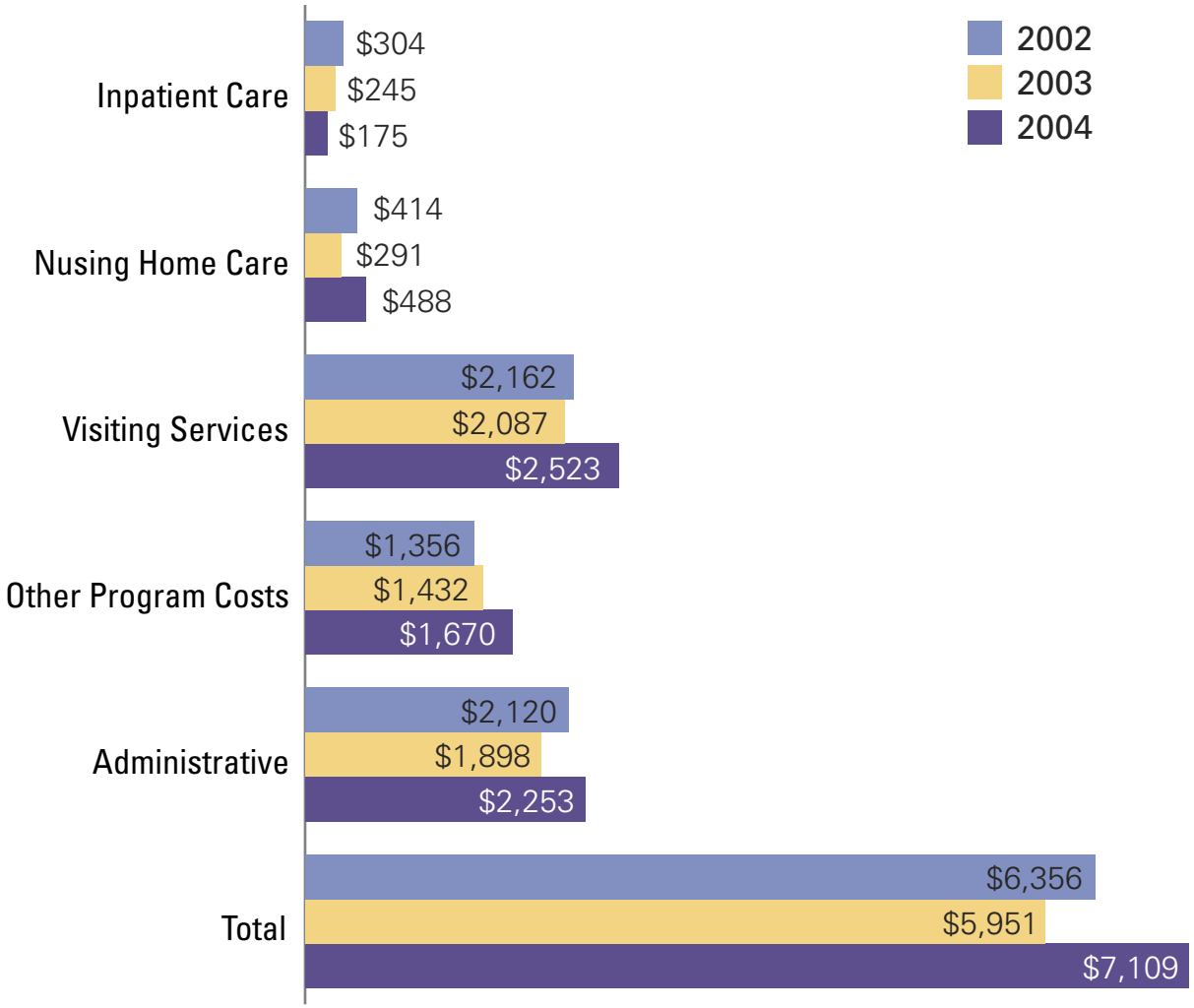


*Other payers include private insurance, managed care, charity, and self pay.

Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 2002–2004.

Medi-Cal pays for hospice services for low income, non-elderly patients and for facility-based room and board for eligible Medicare recipients, resulting in higher average payments per patient. Although costs for hospice care have increased, average payments have decreased significantly over the past three years. The decrease reflects Medicare's efforts to control payments.

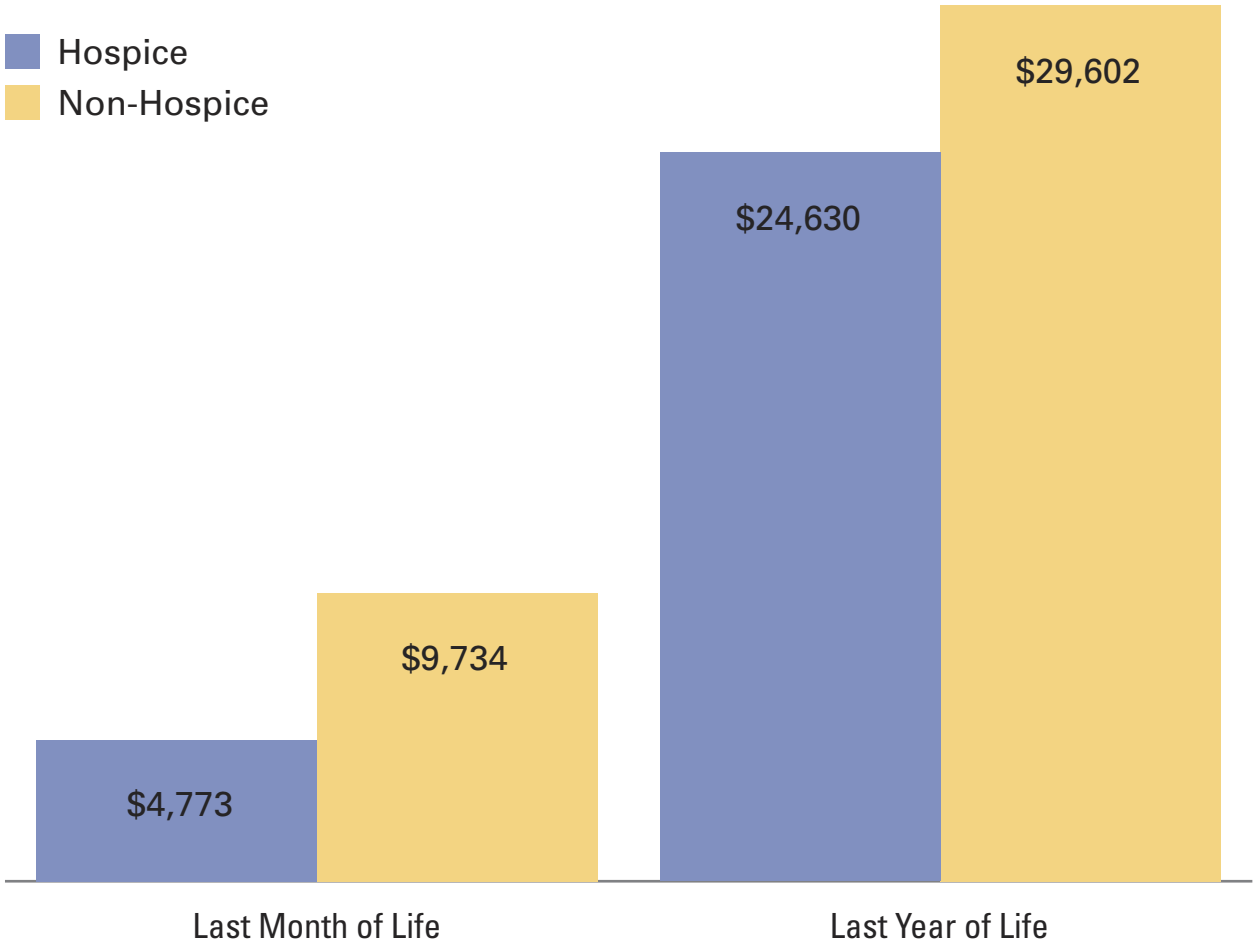
Expenditures for Hospice Care Per Patient by Service Category, 2002–2004



Source: Janis O'Meara and Charlene Harrington, University of California, San Francisco. Calculations provided using the Office of Statewide Health Planning and Development home health and hospice utilization data, 2002–2004.

In California, total expenditures per patient for hospice care increased 12 percent in three years. The three largest program expense categories, Visiting Services, Administration, and Other Program Costs, drove the increase. Expenditures for Inpatient Care, the smallest service category, decreased by 42 percent.

Average Expenditures for Hospice and Non-hospice Patients, 1991–1992



Source: Lewin-VHI conducted analysis of Medicare Hospice Benefit for California residents, dated August 23, 1995, addressed to Dr. Galen Miller, National Hospice Organization, analyzing 1991–92 data.

Fifteen years ago, the average expenditures in the last month and year of life for California Medicare beneficiaries were significantly less for patients receiving hospice than for those who did not. Payers saved an average of 51 and 17 percent in the last month and year of life, respectively. A more current cost comparison is not available.

Authors

Charlene Harrington, Ph.D., R.N., Professor, Sociology and Nursing
University of California at San Francisco

Janis O'Meara, M.P.A., Department of Social and Behavioral Sciences,
University of California at San Francisco

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California HealthCare Foundation
476 9th Street
Oakland, CA 94607
510.238.1040
www.chcf.org