

the hospice program (42 CFR Part 418, Hospice Care).

Under these provisions CHAMPUS will provide palliative care to individuals with prognoses of less than 6 months to live if the illness runs its normal course. The benefit is based upon a patient and family-centered

model where the views of the patient and family or friends figure predominantly in the care decisions. This type of care emphasizes supportive services, such as pain control and home care, rather than cure-oriented services provided in institutions that are

otherwise the primary focus under CHAMPUS.

CHAMPUS will use the following national Medicare hospice rates for services provided on or after October 1, 1994, through September 30, 1995, along with the wage and nonwage components of each:

	National rate	Wage component	Nonwage component
Routine Home Care	\$90.51	\$62.19	\$28.32
Continuous Home Care	528.30	362.99	165.31
Inpatient Respite	93.63	50.68	42.95
General Inpatient	402.67	257.75	144.92

The rates are based on a cost-related prospective payment method subject to a "cap" amount and will be adjusted annually by the Medicare hospital market basket inflation factor for services rendered on or after October 1 of each fiscal year. These national payment rates will be adjusted for regional wage differences by using appropriate Medicare area wage indices. The hospice will be reimbursed for an amount applicable to the type and intensity of the services furnished to the beneficiary on a particular day. The Medicare statutory cap amount for the cap year ending October 31, 1994, is \$12,846. Annual adjustments to the cap amount will be the same as Medicare.

Hospice care is viewed as the most cost-effective form of treatment for the terminally ill. The benefit lowers costs by reducing or eliminating inpatient days, unnecessary tests, and expensive curative therapies. The national rate system is designed to reimburse the hospice for the costs of all covered services related to the treatment of the beneficiary's terminal illness, including the administrative and general supervisory activities performed by physicians who are employees of, or working under arrangements made with, the hospice.

Review of Comments

As a result of the publication of the proposed rule, the following comments were received from interested associations and agencies.

Comment 1. One commentator felt that it would be unfair for OCHAMPUS to apply Medicare aggregate reimbursement limitations to individual hospices since the CHAMPUS beneficiary population is only a fraction of the Medicare population. It was their contention that the volume of Medicare patients is sufficiently large to allow for the development of average inpatient stay, and average cost per patient, whereas the volume of CHAMPUS

patients in any one hospice would be so small as to potentially result in a skewed average; e.g., a hospice may have a small percentage of CHAMPUS patients who either have longer lengths of stay or require substantial amounts of inpatient care.

As was previously stated, it was Congress' intent for CHAMPUS to provide hospice care in the manner and under the conditions provided in section 1861(dd) of the Social Security Act (42 U.S.C. 1395x(dd)). Paragraph (2)(A)(iii) of this section requires assurance that the aggregate number of inpatient days does not exceed 20 percent of the aggregate number of days during the cap period. The only practical way of assuring this requirement is to incorporate it as part of the overall reimbursement methodology.

The aggregate limitations also lend themselves to the basic hospice philosophy of emphasizing home care over institutional care. The cap and inpatient limitations provide a financial incentive for home care delivery under the hospice all-inclusive prospective payment system. Elimination of such incentives might inadvertently result in overutilization of inpatient care (both respite and general inpatient care).

There could also be the assumption that since CHAMPUS beneficiaries constitute a younger population, their hospice care would be more conducive to a non-institutional setting (home health care setting) than the traditional Medicare population. Factors such as patient mobility and availability of family/care-givers would facilitate treatment in the home setting, thus reducing total expenditures and inpatient days for CHAMPUS beneficiaries.

Although the commenter's assumption that the vast majority of individual hospices will service only a very small number of CHAMPUS beneficiaries may be valid, there may be

those with significant volumes due to the concentration of military personnel in select geographic locations. These programs may provide care for the vast majority of CHAMPUS beneficiaries electing hospice care.

Comment 2. As part of the previous comment, it was recommended that the proposed CHAMPUS regulation, section 199.14, paragraph (g)(5)(D)(ii), be modified to make it clear that inpatient days in excess of the 80-20 rule be paid as routine home care days when calculating the amount refunded to CHAMPUS.

Procedural guidelines have been incorporated under section 199.14, paragraph (g)(4) describing the calculation of amounts in excess of the inpatient limitation which must be refunded to CHAMPUS. Paragraph (g)(4)(i)(C) of this section specifies that the actual inpatient days in excess of the limitation (20 percent of the aggregate inpatient days) will be paid at the routine home rate when calculating the amount refunded to CHAMPUS.

Comment 3. One commentator felt that CHAMPUS should not require hospice programs to collect copayments for outpatient drugs/biologicals and respite care since their collection was optional under Medicare and would impose an undue administration burden on those hospice programs which do not currently have a billing system in place for copayments.

Section 199.14, paragraph (g)(8) has been revised to make the collection of cost-shares of outpatient drugs/biologicals and respite care option under CHAMPUS.

Comment 4. Several commentators questioned the accuracy of the calculations in Table IV of the Supplementary Information section of the rule.

There was a transposition error in the example. The adjusted wage component of \$58.91 calculated in the first line of the table should have been added to the