CMS Finalizes 2.3% Hospice Pay Bump For Fiscal 2027, Touts New Fraud-Flagging System

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Hospices will receive in fiscal 2027 a 2.3% pay increase under CMS' final pay rule, which also rolls out a new provider-level scoring system designed to flag potentially fraudulent billing and utilization patterns as part of the agency's broader crackdown on hospice fraud.

The pay bump finalized Thursday (July 30) is below the 2.6% increase finalized last year and slightly less than the agency's proposed 2.4% bump. CMS estimates the final payment update will increase aggregate Medicare payments to hospices by approximately $755 million in fiscal 2027 compared with fiscal 2026.

The final rule also increases the statutory aggregate cap limiting annual Medicare payments to an individual hospice from $35,361.44 in fiscal 2026 to $36,174.75 in fiscal 2027.

But in his announcement of the rule Thursday, CMS Administrator Mehmet Oz centered on the agency's new Service and Spending Variation Index (SSVI), which uses claims data to identify hospices that may warrant additional scrutiny. According to Oz, some hospices deceptively enroll beneficiaries who are not terminally ill, upcode routine services or bill Medicare for curative treatments that should not be provided through the hospice benefit.

"When someone you love enters hospice, you might feel a lot of different things: sorrow at the impending loss, relief because at least there won't be any more surgeries, [and] anger that the doctors couldn't do more," Oz said in a video posted on X Thursday. "But one thing you should not have to experience is fear -- fear that your loved one is dying in the care of criminals who worry more about lining their pockets than about the comfort and dignity of their patients."

"It seems too despicable to be true, but I've seen how these fraudsters operate, and trust me, there's no limit to what they're capable of," Oz added.

The announcement comes as CMS is already waging an anti-fraud campaign against hospices. The agency has suspended Medicare payments to 774 hospices in California alone over a period of several months, according to Oz.

“Patients and their families deserve peace of mind,” Oz said. “CMS will also continue identifying bad actors, cutting off their funds, and referring them for criminal prosecution. The taxpayers who fund our programs and the vulnerable Americans who rely on them deserve nothing less.”

Under the SSVI, every hospice receives a score ranging from zero to 16 based on nine claims-based measures covering different aspects of hospice utilization and Medicare spending outside the hospice benefit. Higher scores represent more potential red flags for fraud, inappropriate utilization, quality problems or noncompliance, but the agency says a high score does not by itself mean a hospice committed fraud.

“This index will be accessible online at CMS’ Hospice Information Center,” Oz said. “That way, families can make informed decisions about who to entrust with their loved ones’ final months on Earth.”

CMS says the index also will support the agency's efforts to identify potentially inappropriate activity and target oversight resources toward providers displaying concerning patterns. The final rule updates the SSVI using claims data from fiscal 2024 and 2025 but does not make substantive changes to its methodology.

The agency developed the index after seeing continued growth in Medicare spending outside the hospice benefit for beneficiaries who had elected hospice. Medicare’s hospice benefit is structured to cover virtually all care connected to a beneficiary’s terminal illness and related conditions, meaning those beneficiaries generally should not need to routinely obtain related items, services or drugs outside their hospice provider.

CMS says unusually high non-hospice spending could indicate inappropriate utilization, inadequate care or a hospice’s failure to provide services for which it is responsible.
The final rule also requires hospices to provide every Medicare beneficiary electing hospice with a written addendum explaining which conditions, items, services and drugs the provider has determined are unrelated to the beneficiary’s terminal illness and therefore will not be covered under the hospice benefit.

Previously, hospices were required to provide the addendum only when requested by a beneficiary or representative, but CMS says many beneficiaries may not understand the importance of requesting it.

Making the addendum mandatory will give beneficiaries greater transparency into uncovered services, help them make treatment decisions and potentially reduce their out-of-pocket costs, CMS says. The document also will give non-hospice providers information needed to properly submit claims for services furnished to hospice beneficiaries.

CMS also finalized plans to place an icon on the Medicare Care Compare website next to hospices that submit no quality data or less than the required 90% during a reporting year. The icon will be added no earlier than fiscal 2028. The agency says approximately one-fifth of hospices continue to fall short of Hospice Quality Reporting Program (HQRP) requirements.

To meet the reporting requirements, hospices must submit quality data through the Hospice Outcomes and Patient Evaluation tool within 30 days of a patient's admission as well as update visit and discharge dates. Hospices that fail to submit the required quality data will receive a 1.7% payment reduction from fiscal 2026 rates. -- *Jalen Brown* (jbrown@iwpnews.com)