

# Hospice Suspension Of 2% Sequestration; Cap Impact

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*Thank you to Ted Cuppett, The Health Group, for this helpful analysis of the 2% sequestration suspension and its impact on the cap.*

As previously reported, Section 3709 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the 2% payment adjustment currently applied to all Medicare Fee-For-Service (FFS) claims due to sequestration. The suspension is effective for claims with dates of service from May 1 through December 31, 2020.

Hospices that do not have a CAP liability will realize a two percent (2%) increase in Medicare payments for services rendered on or after May 1, 2020. Likewise, CAP hospices will realize a two percent (2%) increase as well.

We have received many questions regarding how this increase in payments will impact the CAP liability for hospices with payments exceeding the aggregate payment limitation ("CAP"). The following examples reflect the CAP liability and net cash flow impact assuming a hospice bills \$1,000,000/month for 2020.

	Sequestration All Year	Sequestration Suspension
<b>Gross reimbursement</b>	\$12,000,000	\$12,000,000
<b>Sequestration</b>	\$(240,000)	\$(80,000)
<b>Net payment received</b>	\$11,760,000	\$11,920,000
<b>CAP</b>	\$11,000,000	\$11,000,000
<b>Gross payments in excess of CAP</b>	\$1,000,000	\$1,000,000
<b>Recapture of sequestration based on excess</b>	\$20,000	\$20,000
<b>Net CAP liability to be repaid</b>	\$980,000	\$980,000
<b>Total Medicare receipts, after repayment</b>	\$10,780,000	\$10,940,000
<b>Net cash advantage</b>		\$160,000

In the example, the net cash advantage is equivalent to 2% of revenue for the eight-month period of the sequestration suspension (\$8,000,000 x 2%). The actual percentage of the benefit will differ from the 2% based on the revenues for each particular month of the year (sequestered, not sequestered); however, the CAP calculation will, except in very unusual circumstances, allow the hospice to retain the two percent (2%) in additional payments during the eight-month period.