Administrator Program
Wednesday, November 19, 2025
9:30am-10:30am

H2. Hospice CAP Mastery – Protecting Your Bottom Line Before It's Too Late

Presented by:

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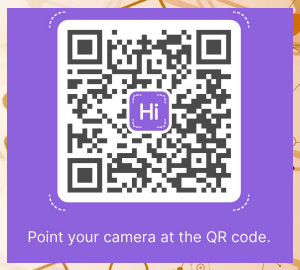
Unlocking the Secrets of Hospice Financial Management: Demystifying CAP Reporting and Calculation

BC Healthcare Consulting



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Learning Objectives

Understand the Basics of CAP Reporting: Participants will gain a solid foundational understanding of what CAP (Capped Annual Payment) reporting is and why it is crucial in the context of Hospice financial management.

Comprehend the Significance of CAP in Hospice Financial Health: Participants will learn about the critical role that CAP plays in ensuring the financial health and sustainability of a Hospice agency.

Navigate the Complexity of CAP Reporting: Participants will acquire the skills to navigate the intricate aspects of CAP reporting, including the regulations, rules, and requirements associated with it.

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Two Kinds of Hospice CAPS

The first cap limits the share of inpatient care days that a hospice can provide to 20 percent of its total Medicare patient care days.

This cap is rarely exceeded; any inpatient days provided in excess of the cap are paid at the RHC payment rate.

The second cap limits the aggregate Medicare payments that an individual hospice can receive.

Under the aggregate cap, if a hospice's total Medicare payments exceed the total number of Medicare beneficiaries it served multiplied by the cap amount ($35,361.44 in CY26), it must repay the excess to the program.

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Hospice Aggregate CAP – The Basics

Aggregate cap: Designed to limit total aggregate payments a hospice can receive in a year; to protect Medicare from spending more for hospice care than conventional care at the end of life.

First aggregate cap amount set at $6,500 per beneficiary (1983)– determined to be "well above the average cost of caring for a hospice patient"

The aggregate payment amount a hospice may receive under Medicare for any given cap year is limited to the cap amount times the number of Medicare patients served. The CAP IS NOT adjusted for geographic differences in cost, unlike the daily hospice payments.

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Hospice Aggregate CAP – The Basics

1. Beneficiaries who receive hospice care in multiple cap years or from multiple hospice providers are reflected in the beneficiary count of the cap calculation for a particular cap year and hospice provider in a prorated manner.
2. The cap is not applied individually to the payments received for each beneficiary, but rather to the total payments across all Medicare patients served by the hospice in the cap year.
3. In other words, the cap is not a limit on Medicare's coverage of hospice services for patients. Rather, it limits how much Medicare will pay a hospice provider in the aggregate for its patient population.
4. After the year ends, Medicare totals all its payments to the provider, and if that amount exceeds the number of beneficiaries multiplied by the aggregate cap amount, Medicare requires the hospice to repay the excess to the Medicare program.
5. In 2020, Medpac estimated 18.6 percent of hospices exceeded the cap. (Prior Year it was 19.0%)

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Hospice Aggregate CAP – The Basics

2017

CAP Year, beginning in 2017, was synchronized with the federal fiscal year.

2024

CAP Year - for 2023 runs from October 1, 2023 to September 30, 2024.

2024

The hospice cap amount for the 2024 cap year is based on the FY 2023 cap amount, adjusted by a 3.1 percent increase according to the FY 2024 hospice payment update to $34,494.01.

2026

Therefore, the FY 2026 cap amount is $35,361.44 (slightly higher than FY25 $34,465.34)

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Hospice CAP Timeline

Hospices are required to file a self-determined cap no earlier than 3 months, and no later than 5 months after the end of the hospice cap year, September 30.

The earliest a hospice may file its self-determined cap is December 31, and **the latest is February 28** of each year.

Must remit overpayments due at that time.

If hospices fail to file 5 months after the end of the CAP year, payments are suspended.

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Hospice Aggregate CAP – A Picture

On average, above cap hospices exceeded the cap by about $422,000 in 2020, up from $384,000 in 2019. In 2021, Medpac estimates that 18.9% of hospices (which provide care to about 5% of hospice patients) exceeded the CAP (Medpac 2023)

Above-cap hospices have fewer patients per year, on average, than below cap hospices and are more likely to be for-profit, freestanding, recent entrants to the Medicare program and located in urban areas (Medicare Payment Advisory Commission 2022).

Above-cap hospices have substantially longer stays than below-cap hospices, even for patients with similar diagnoses.

Above-cap hospices also have substantially higher rates than other hospices of discharging patients alive.

As the Commission has noted in past reports, these length of-stay and live-discharge patterns suggest that above cap hospices are admitting patients who do not meet the hospice eligibility criteria.

- Results in higher industry scrutiny such as RAC, TPE and other audits.

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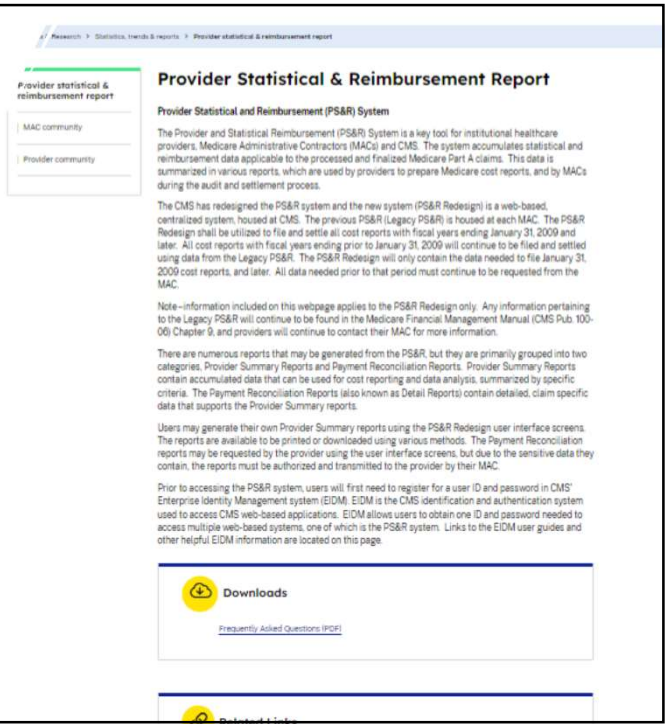
Hospice CAP – Getting Prepared

- To prepare the cap calculation, hospices should obtain their Provider Statistical and Reimbursement (PS&R) summary and Hospice Cap reports from the CMS website
- MAKE SURE YOU HAVE ACCESS PRIOR TO THE DUE DATE!



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Hospice CAP – Getting Prepared

- PS&R CAP period is always 10/1 through 9/30 for the CAP year
- DO NOT USE the default Fiscal service period(s) that match your agency's FYE – input the CAP period year dates

CAP Year	Streamlined Method	Patient by patient proportional method
2025	10/1 – 9/30	10/1 – 9/30

- Hospice Beneficiary County Summary will need to be ran for the same dates.
- Follow instructions provided by your MAC:

PS&R and Beneficiary Report Ordering Instructions (palmettogba.com)
https://www.palmettogba.com/palmetto/providers.nsf/files/Instructions_for_Ordering_PSR_and_Beneficiary_Report_2022.pdf/$FILE/Instructions_for_Ordering_PSR_and_Beneficiary_Report_2022.pdf

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Hospice CAP – Counting Beneficiaries

Streamlined Method (SL) – available only to those hospices that have elected to retain the SL method back in the 2012 cap year 2.

Proportional Method (PP) – Must be used by all other hospices

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CAP Reporting and Management

- Monitoring CAP and any potential CAP liability throughout the year (no surprise at the end of the CAP year)
  - The frequency of this activity should be dependent on risk of exceeding the CAP
  - Historical CAP liability
  - Lack of spread between historical CAP and Medicare payments
  - Increasing average length of stay
  - Certain hospices should be monitoring on a monthly basis.

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Calculation Spreadsheet Example

NAME	2017 Days	2017 Cap Fractions	2018 Days	2018 Cap Fractions	2019 Days	2019 Cap Fractions	2020 Days	2020 Cap Fractions	2021 Days	2021 Cap Fractions	2022 Days	2022 Cap Fractions	2023 Days	2023 Cap Fractions	2024 Days	2024 Cap Fractions	DAYS ON SERVICE (US)	DAYS ON SERVICE (OTHER HOSPICE)	TOTAL DAYS ON SERVICE
DOE 1	0	0	0	0	0	0	0	0	0	0.00	0	0	0	0	0	0	0	100	100
DOE 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	26	26
DOE 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DOE 4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	25
Sums	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00		0.00		0.00	0	151	151
Proportional Cap Allowance		$0.00		$0.00		$0.00		$0.00		$0.00		$0.00		$0.00		$0.00			

2017 Allowance	$28,404.99
2018 Allowance	$28,689.04
2019 Allowance	$29,205.44
2020 Allowance	$29,964.78
2021 Allowance	$30,683.93
2022 Allowance	$31,297.61
2023 Allowance	$32,486.92
2024 Allowance	$33,494.01

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Spreadsheet Instructions

- To use this calculator, go to the Calculator sheet, and enter your patients in Column A above row 6. Insert additional rows above row 6 for more than 4 patients
- Enter the number of days that each patient was on service with your hospice per year in each appropriate column
  - Example: Doe4 had 60 days of service in 2016 and 60 days of service in 2017, so 60 was entered in Column D and 60 was entered in Column F
- Enter the number of days on service with other hospices in Column P
  - Example: Doe2 had 26 days with another hospice
- Column Q is calculated by adding all days on service with your hospice and other hospices
  - Example: Doe2 had a total of 125 days
- The CAP Fractions columns are calculated by dividing the days per year by the total days on service. They show the percentage of days per year.
  - Example: Doe4 had 41% of the days in 2016 so you see .41 under 2016 CAP Fractions. 41% of the days were in 2017 so you see .41 under 2011 CAP Fractions. The remaining 18% were days with another hospice.
- Row 6 is a sum of days and fractions per year
  - Example: Column G, row 6 shows .37 to indicate that 37% of the days were in 2017.
- The CAP allowances are listed in column B starting in row 13. These allowances are multiplied by the sum of the CAP fractions for each year to provide the Proportional CAP allowance for each year
  - Example: 37% of all patient days were in 2017. The calculation is .37 multiplied by the 2017 CAP allowance. The result is $10,503.24

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CAP Reporting and Management

If apparent that the hospice will, or it is probable that the CAP will be exceeded, begin to make repayment arrangements

Payment is due when the CAP report is submitted

If a Request for Extended Repayment Schedule ("ERS") will be submitted, be prepared to submit the request for ERS with the CAP Report

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CAP Reporting and Management

Prepare CAP Report on or before February 28th

Make sure you have electronic access to the portal

You can submit as soon as completed, or

You now have until February 28th to provide any additional documentation, i.e. (internal computations or Request for ERS)

Use PS&R information as of January 31st (earliest date possible) to minimize any interim liability.

Review alternative computation (Proportional Method) if CAP still being computed on the Streamlined Method.

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CAP Reporting and Management

Estimate	Estimate ultimate CAP liability • Remember the CAP report submitted only reflects an interim liability
Revisit	Revisit prior year CAP computations for potential liability of increased liability.
Begin	Begin preparation for funding any ultimate liability
Begin	Begin estimation of subsequent year CAP and potential CAP liability • Process begins again

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CAP Calculation – Over the CAP

Hospice Cap & Inpatient Day Limit - Calculator

Cap Year:	10/1/23 - 09/30/24
Estimated Beneficiary Count: (Streamlined or Patient by Patient Proportional method)	20
Total Medicare Payments:	680000
Total Medicare Visits	
Routine Home Care:	1250
Continuous Home Care:	20
Inpatient Respite Care:	5
General Inpatient Care:	10

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CAP Calculation – Over the CAP

REVIEW OF MEDICARE INPATIENT DAYS

1. TOTAL HOSPICE CARE DAYS PER THE PS&R	1285
2. * 20%	20%
3. ALLOWABLE MEDICARE INPATIENT DAYS	257.0
4. ACTUAL INPATIENT DAYS PER THE PS&R	15
*DAYS IN EXCESS OF THE ALLOWABLE DAYS (Excess inpatient days will create an overpayment based on the difference in the Inpatient Rate and the Routine Home Care Rate)	0

CAP ON OVERALL MEDICARE REIMBURSEMENT

1. MEDICARE BENEFICIARIES ELECTING HOSPICE CARE	20
2. STATUTORY CAP AMOUNT FOR THE CAP YEAR ENDED	$33,494.01
3. ALLOWABLE MEDICARE PAYMENTS	$669,880.20
4. ACTUAL PAYMENTS PER THE PS&R	$680,000.00
5. PAYMENTS IN EXCESS OF THE CAP AMOUNT (These amounts are estimates and do not include the impact of the Sequestration adjustment)	-$10,119.80

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CAP Calculation – Under the CAP

Hospice Cap & Inpatient Day Limit - Calculator

Cap Year:	10/1/23 - 09/30/24
Estimated Beneficiary Count: (Streamlined or Patient by Patient Proportional method)	20
Total Medicare Payments:	625000
Total Medicare Visits	
Routine Home Care:	1250
Continuous Home Care:	20
Inpatient Respite Care:	5
General Inpatient Care:	10

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CAP Calculation – Under the CAP

REVIEW OF MEDICARE INPATIENT DAYS

1. TOTAL HOSPICE CARE DAYS PER THE PS&R	1285
2. * 20%	20%
3. ALLOWABLE MEDICARE INPATIENT DAYS	257.0
4. ACTUAL INPATIENT DAYS PER THE PS&R	15
*DAYS IN EXCESS OF THE ALLOWABLE DAYS	0

(Excess inpatient days will create an overpayment based on the difference in the Inpatient Rate and the Routine Home Care Rate)

CAP ON OVERALL MEDICARE REIMBURSEMENT

1. MEDICARE BENEFICIARIES ELECTING HOSPICE CARE	20
2. STATUTORY CAP AMOUNT FOR THE CAP YEAR ENDED	$33,494.01
3. ALLOWABLE MEDICARE PAYMENTS	$669,880.20
4. ACTUAL PAYMENTS PER THE PS&R	$625,000.00
5. PAYMENTS IN EXCESS OF THE CAP AMOUNT	$0.00

(These amounts are estimates and do not include the impact of the Sequestration adjustment)

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MAC Response and Process

Review CAP Report submitted by provider	• MAC may modify or update your report based on more current information but unlikely.
Make final CAP determinations and review prior year computations	• Issuance of Notice of CAP liability

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Extended Repayment Schedules

If a hospice cannot repay a cap overpayment immediately, it may submit an Extended Repayment Schedule (ERS) request to the MAC.

If approved, a hospice may receive up to 60 months to repay an overpayment.

The MAC may approve ERS requests up to 36 months, but CMS must approve ERS requests for 37 to 60 months.

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Extended Repayment Schedules

- You must submit documentation supporting a request for extended repayment.
- This documentation must be sent at the time of the submission of your cap computation to avoid withholding.
- The required documentation includes, but is not limited to, balance sheets, income statements, cash flow statements, and statements of source and application funds.
- A copy of the check sent in as the first payment of the proposed repayment schedule must be included with the documentation.
- You must use the correct and up-to-date ERS request forms from the MAC.

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Management Summary

- If your hospice finds itself significantly below the CAP threshold:
  - The management process can be simplified to a considerable extent by staying vigilant and ensuring the timely submission of the annual CAP Report.
- If your hospice is operating above the CAP limit or nearing it:
  - The management process transforms into a recurring task that involves addressing estimates, handling overpayments, and making adjustments to the CAP based on prior year data.
  - Quarterly analysis is recommended.
- In cases where Electronic Remittance System (ERS) is currently in use or planned for future implementation, it is imperative to maintain thorough and up-to-date financial records.
  - This may include the incorporation of accrual-basis financial statements to facilitate ongoing reporting to the Medicare Administrative Contractor (MAC).

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Questions

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Presenter

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Point your camera at the QR code.

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Resources

- Medicare Benefit Policy Manual (cms.gov) https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c09.pdf
- Hospice Financial Caps (Home Health & Hospice) (cgsmedicare.com)
- Jurisdiction M HHH - Hospice Cap/Inpatient Day Limitation Calculator (palmettogba.com)

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