

Hospice Industry at a Glance

The market for hospice care has grown from approximately \$200 million in 1989 to over \$4 billion in 2002, according to the Centers for Medicare and Medicaid Services (CMS). And the growth may be accelerating as several large long-term care providers expand their services to include end-of-life care.

The upside potential is huge. Approximately 1.9 million persons in the U.S. aged 65 or over die each year. In 2001, only thirty-two percent received Medicare-certified hospice care.

According to the General Accounting Office and the CMS, the number of hospice beneficiaries increased from approximately 143,000 in 1992 to approximately 594,000 in 2001. To meet the growing demand, the number of hospices also increased – from 1,208 in 1992 to 2,267 in 2001 – and is now estimated to be approximately 2,650. And although most hospices are small or medium-sized, with seventy percent operating as not-for-profit, six large for-profit providers control more than fifteen percent of the hospice market. Two of the major for-profit hospice providers – Beverly Enterprises and Manor Care, Inc. – also operate ALFs and SNFs.

All hospices – large and small, for-profit and not-for-profit, depend on referrals. Most actively seek to increase referrals by building awareness through community education programs and by developing relationships with major referral sources – including long-term care providers.

For example, more than forty percent of Odyssey HealthCare's hospice patients are residents in long-term care facilities. And although quality of care is its ultimate growth driver, according to Deborah Hoffpauir, Odyssey's Chief Operations Officer, increasing the volume of referrals from assisted living facilities is one of Odyssey's top business strategies. "The scope of services – the quality and quantity of care – an ALF resident receives is exactly the same as we provide all of our patients," Hoffpauir told ALD.

Odyssey, which operates 68 Medicare-certified hospice programs in 29 states, has a staff of more than 200 community education representatives who develop relationships with long term care providers. These reps work with ALF administrators and health directors in their respective markets to identify residents who are appropriate for hospice care.

Similarly, VistaCare, Inc., which ended last year with 40 hospice programs serving patients in 14 states, is focusing on developing referral relationships with national and regional assisted living companies that would benefit from the administrative and service consistency resulting from working with a limited number of hospice providers. And Vitas pioneered the preferred-provider business strategy with its relationship with Sunrise Senior Living in 2002. ■

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