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Palliative Care Consultation Teams Cut Hospital Costs For Medicaid Beneficiaries
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ABSTRACT Patients facing serious or life-threatening illnesses account for a disproportionately large share of Medicaid spending. We examined 2004–07 data to determine the effect on hospital costs of palliative care team consultations for patients enrolled in Medicaid at four New York State hospitals. On average, patients who received palliative care incurred $6,900 less in hospital costs during a given admission than a matched group of patients who received usual care. These reductions included $4,098 in hospital costs per admission for patients discharged alive, and $7,563 for patients who died in the hospital. Consistent with the goals of a majority of patients and their families, palliative care recipients spent less time in intensive care, were less likely to die in intensive care units, and were more likely to receive hospice referrals than the matched usual care patients. We estimate that the reductions in Medicaid hospital spending in New York State could eventually range from $84 million to $252 million annually (assuming that 2 percent and 6 percent of Medicaid patients discharged from the hospital received palliative care, respectively), if every hospital with 150 or more beds had a fully operational palliative care consultation team.

Medicaid spending, excluding the $87 billion in relief provided through the American Recovery and Reinvestment Act of 2009, increased by 9 percent ($18 billion) in 2009—the highest rate of growth in more than a decade.¹ This increase occurred even though nearly every state adopted at least one new Medicaid policy that resulted in reductions to patient benefits and payments to health care providers.² It is estimated that annual Medicaid spending will increase from $339 billion in 2010 to $458 billion in 2020.¹³

The national economy is expected to improve—although slowly—but state revenues are not. This means that enrollment in Medicaid, which swelled during the economic downturn, is likely to remain high. States will continue to be challenged to maintain existing eligibility requirements, benefit levels, and provider payments.²

The escalating costs of the Medicaid system endanger not only the health of its enrollees, but also the health of the country’s economy. Indeed, in its report, The Budget and Economic Outlook: Fiscal Years 2010 to 2020, the Congressional Budget Office cites federal health care spending—which includes Medicare as well as Medicaid—as the “single greatest threat” to the stability of the US budget.¹

Past and present efforts to reduce Medicaid spending have focused on reducing provider reimbursement, tightening and reducing eligibility for programs, deploying Medicaid managed care programs with capitation, and devising formulary restrictions.³ Although Medicaid
is largely a state-managed system, a federal law
assuring access to a basic platform of services
gives states limited flexibility in determining the
type and extent of services covered. Accordingly,
there has been increased focus on delivery models,
such as managed Medicaid, that promote
care targeted to patients’ needs and goals, and
that limit the inherent incentives that exist in the
fee-for-service environment to increase the
quantity of care.4

Interdisciplinary palliative care programs may
provide a way to improve quality and reduce
costs for some of the sickest Medicaid patients
and curb use of the most expensive treatments.
Growth in the number and needs of chronically
ill patients who are not clearly terminally ill has
helped catalyze the development of palliative
care as a specialty.

Palliative care aims to relieve suffering and
improve quality of life for patients with advanced
illness and for their families. It does so through
assessing and treating pain and other symptoms;
communicating about care goals and providing
support for complex medical decision making;
providing practical, spiritual, and psychosocial
support; coordinating care; and offering bereavement services.5,6

Palliative care is provided in conjunction with
all other appropriate medical treatments, includ-
ing curative and life-prolonging therapies. It is
optimally delivered through an interdisciplinary
team consisting of appropriately trained physi-
cians, nurses, and social workers, with support
and contributions from other professionals as
indicated.7 In recent years, the number of pallia-
tive care programs in hospitals has grown rap-
idly, to the point where more than 60 percent of
hospitals overall, and 80 percent of hospitals
with 300 or more adult medical or surgical beds,
reported the presence of a palliative care pro-
gram as of 2010.7

Although palliative care can be delivered by
specialists through a range of clinical models,
the predominant delivery model in the United
States (outside of hospice) is the hospital pallia-
tive care consultation team.6,9 Palliative care con-
sultation, like other specialist consultation, is
typically initiated at the request of the treating
physician. Consultation teams communicate
their recommendations back to the referring
physician for implementation.10 Additionally,
palliative teams focus on clarifying diagnoses
and treatment options, helping patients and
family members identify goals of care, and help-
ing them select—in conjunction with their treating
physicians—their options and hospital dis-
charge options that meet those goals.6,10

Palliative care consultation teams have been
shown to improve quality of life for patients with
advanced illnesses and for their families10,11 and, in
a recent study, to extend survival.12 Furthermore,
palliative care programs can reduce hospital
costs by ameliorating pain and other dis-
tressing symptoms that increase hospital
lengths-of-stay and cause medical complica-
tions; can reduce overuse of unnecessary, ineffec-
tive, or marginally effective services; and can
develop transition plans that result in safe hospit-
als discharges with lower likelihood of readmission.13–16

To date, however, studies examining cost re-
ductions have not focused specifically on pa-
tients enrolled in Medicaid. Our study was
designed to help fill that gap, by exploring the
effect of hospital palliative care consultation
teams on hospital costs for a group of Medicaid
patients in New York State.

Study Data And Methods
We used hospital administrative data to compare
hospital costs of patients receiving palliative care
consultations matched by propensity scores17–19
to patients receiving usual care for the period
2004–07.

Sample Four diverse urban New York State
hospitals—a community hospital, two academic
medical centers, and a safety-net hospital—in
one large and two midsize cities served as study
sites. (See Exhibit 1 for hospital and palliative
care team characteristics.) These hospitals were
chosen because of their size (more than 350 beds
and thus representative of the median for US
hospitals); adequate numbers of annual Medic-
aid admissions (more than 5,000) to permit
analyses and to obtain a sufficiently rep-
resentative sample; and the presence of a mature
(in existence for more than five years), interdis-
ciplinary palliative care consultation team. Addi-
tionally, each team had participated in training
sessions conducted by the Center to Advance
Palliative Care20 and therefore shared common
care processes as recommended by the National
Quality Forum’s framework and preferred prac-
tices for palliative and hospice care quality.3

The patient sample included all adult patients
with Medicaid as their primary and sole insurer,
who had hospital stays ranging from six to forty-
four days. People dually eligible for Medicare
and Medicaid were thus excluded. Patients were
included if they had been diagnosed with at least
one of the following advanced diseases: meta-
static solid tumor malignancies; central nervous
system malignancies; metastatic melanoma; lo-
cally advanced head and neck cancer; locally ad-
vanced pancreatic cancer; HIV/AIDS (with at
least one of the following secondary diagnoses:
hepatoma, cirrhosis, cachexia, lymphoma, or

Exhibit 1: Hospital and Palliative Care Team Characteristics

<table>
<thead>
<tr>
<th>Hospital Type</th>
<th>City Size</th>
<th>Palliative Care Team Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Hospital</td>
<td>Large</td>
<td>Experienced, interdisciplinary team</td>
</tr>
<tr>
<td>Academic Medical Center</td>
<td>Midsize</td>
<td>Experienced, interdisciplinary team</td>
</tr>
<tr>
<td>Safety-net Hospital</td>
<td>Midsize</td>
<td>Experienced, interdisciplinary team</td>
</tr>
</tbody>
</table>

The sample included all adult patients with Medicaid as their primary and sole insurer, who had hospital stays ranging from six to forty-four days.
other cancer); congestive heart failure or chronic obstructive pulmonary disease, with either two or more hospitalizations in any six months of the study period or one or more intensive care unit admissions during the study period; and advanced liver disease with evidence of cirrhosis. Also included were people who had been in an intensive care unit for more than five days, regardless of diagnosis.

Researchers and clinicians generally consider these diagnostic and disease-stage criteria appropriate for palliative care, and the criteria have been used in other studies.\(^2\) Patients receiving palliative care were identified through administrative databases and billing records. Patients were classified as receiving palliative care if a consultation was requested by the patient’s attending physician, the patient was seen and evaluated by the palliative care team for one or more visits, and at least one set of recommendations was made by the palliative care team for the primary team caring for the patient. The initial sample included 1,717 patients discharged alive and 495 patients who died in the hospital.

We used hospital databases to abstract patients’ characteristics. Medical comorbidities were determined using the Elixhauser algorithm.\(^2\) Patients were divided into two strata: live discharges and hospital deaths. We computed propensity scores for each patient within each stratum.\(^1\) We also used one-to-many matching with each stratum. For patients discharged alive from the hospital, we matched each patient receiving palliative care with one or more receiving usual care. For patients who died in the hospital, we matched each patient receiving usual care with one or more receiving palliative care, given that there were more palliative care patients than usual care patients in this stratum. All subsequent analyses included matched live discharges and matched hospital deaths.

Generalized linear models using normalized weighted data were estimated for all cost outcomes in dollars, and for intensive care unit lengths-of-stay in days. Multivariable logistic regression models using normalized weighted data were used to examine the likelihood of death in the intensive care unit (hospital dece- dents) and discharge to hospice (live discharges).

**LIMITATIONS** The generalizability of this study may be limited for several reasons: the small number of hospitals analyzed; the fact that all hospitals were located in the same state and were also urban; and the fact that the study was conducted before enactment of the Affordable Care Act of 2010, which had a notable affect on Medicaid enrollment. Additionally, we were unable to assess the effect of hospital palliative care services on total Medicaid spending because of New York State’s restricted access to data on Medicaid costs occurring after hospital discharge.

There are also certain limitations associated with our analytic approach. First, unlike ran-
Comparison Of Palliative Care And Usual Care Costs For A Single Hospitalization Of Adult Medicaid Enrollees, 2004–07

<table>
<thead>
<tr>
<th></th>
<th>Discharged alive</th>
<th>Died in hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Usual care</td>
<td>Palliative care</td>
</tr>
<tr>
<td>Average total cost per admission</td>
<td>$36,741</td>
<td>$32,643</td>
</tr>
<tr>
<td>Average total cost per day</td>
<td>$3,744</td>
<td>$3,254</td>
</tr>
<tr>
<td>Average intensive care cost per admission</td>
<td>$6,452</td>
<td>$5,774</td>
</tr>
<tr>
<td>Average intensive care length-of-stay (days)</td>
<td>5.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Average laboratory cost per admission</td>
<td>$1,801</td>
<td>$1,519</td>
</tr>
<tr>
<td>Average imaging cost per admission</td>
<td>$1,697</td>
<td>$1,478</td>
</tr>
<tr>
<td>Average pharmacy cost per admission</td>
<td>$2,719</td>
<td>$2,705</td>
</tr>
<tr>
<td>Percent discharged to hospice</td>
<td>1%</td>
<td>30%</td>
</tr>
<tr>
<td>Percent dying in intensive care</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**Source:** Authors’ analyses of 2004–07 hospital administrative data. **Notes:** An expanded version of this exhibit, which provides confidence intervals and actual significance levels, appears in the Appendix (see Note 30 in text). *Not applicable. **p < 0.05 ***p < 0.01 ****p < 0.001
who received palliative care and died in the hospital were significantly less likely than patients who received usual care to do so while in intensive care (34 percent versus 58 percent, respectively; odds ratio: 0.48; 95% confidence interval: 0.24, 0.95; \( p = 0.04 \)). Compared to usual care patients, palliative care patients who were discharged alive were significantly more likely to receive hospice care in an appropriate setting (home, nursing home, or inpatient hospice) following hospital discharge (30 percent versus 1 percent, odds ratio: 13.5; 95% confidence interval: 7.4, 24.6; \( p < 0.001 \)).

**Confirmatory Analyses**

Exhibits 3 and 4 display average daily total costs for people who were discharged alive and who died during their hospital admission. For patients who received palliative care, day 0 was the day of the palliative care team consultation; the six days before (days −6 to −1) and after (days 1 to 6) the consultation are plotted. For patients who received usual care, day 0 was a reference day representing the average day of consultation for patients receiving palliative care with hospital stays of similar duration. This reference day for patients who received usual care was day 5 of hospitalization for patients with lengths-of-stay of ten days or less, day 8 for those with lengths-of-stay of eleven to twenty days, day 12 for those with lengths-of-stay of twenty-one to thirty days, and day 19 for those with lengths-of-stay of more than thirty days.

There were no statistically significant differences between the average costs per day for patients who received usual care and patients who received palliative care before day 0. Following day 0 and during the remainder of the admission, average daily costs for the usual care group remained stable, near the same values as before day 0. In contrast, palliative care was associated with a significant reduction in average daily hospital costs within one to two days after consultation. For patients discharged alive (Exhibit 3), average total costs per day decreased from $2,551 before palliative care consultation to $1,884 after consultation—a difference of $666 per day (\( p = 0.001 \)). For patients who died in the hospital, average total costs per day decreased from $3,402 before palliative care consultation to $2,558 after consultation—a difference of $844 per day (\( p = 0.001 \)) (Exhibit 4).

**Discussion**

Data from four diverse urban New York State hospitals suggest that palliative care consultation teams can lower hospital costs for Medicaid patients with serious and advanced illnesses. On
average, patients who received palliative care in this study incurred $6,900 less in hospital costs during a given admission than patients who received usual care. These reductions included $4,098 in hospital costs per admission for patients discharged alive, and $7,563 for patients who died in the hospital. Patients who received palliative care also had lower costs for intensive care and higher rates of referral to outpatient hospice programs.

Why are these results important? In 2008 Medicaid provided coverage for more than sixty million people, and total Medicaid spending was estimated to exceed $339 billion—nearly equivalent to 2008 spending on Medicare.\(^3\) A joint federal-state responsibility, Medicaid now accounts for 16 percent of national health spending and is the primary safety net for the nation’s poor.\(^31\) The Affordable Care Act of 2010 will depend upon expanded eligibility for Medicaid to extend insurance to a projected sixteen million of the estimated thirty-two million newly covered lives. Thus, it has been argued that “the fate of health care reform depends on the fate of Medicaid.”\(^32\)

In this context, it is notable that approximately 60 percent of all Medicaid spending is spent on acute hospital services\(^33\) and that the sickest 5 percent of patients with Medicaid coverage, largely the elderly and disabled, account for fully 57 percent of total program spending.\(^34\) Medicaid spending accelerated further by 7.9 percent in 2009 because of a 10.6 percent increase in acute care spending on top of growing enrollment and rising costs.\(^34\)

In the “perfect storm” context of the 2008 economic recession—decreased state tax revenues, rapid growth in Medicaid enrollment, and inexorably rising medical costs—efforts are necessary to assure that the care provided to this high-risk, high-cost subset of the Medicaid population is as effective and efficient as possible.

**NEW MODELS OF CARE, POTENTIAL SAVINGS**

Faced with unavoidable cuts for Medicaid services, payers and health care institutions are under increasing pressure to develop models of care that improve quality, manage and coordinate care, and do so at lower costs. Data from this study support a new model for effective and efficient care for the seriously ill hospitalized Medicaid population: palliative care. In this study, four established hospital palliative care consultation teams cared for almost 4 percent of their hospitals’ total Medicaid admissions, resulting in annual savings of almost $820,000. If the services of a mature, interdisciplinary palliative care team on par with the teams at the four hospitals studied were offered at all 117 New York State hospitals capable of supporting such a team (that is, hospitals with more than 150 beds), New York State’s Medicaid program could realize substantial savings.

It is difficult to determine exactly how many...
hospitalized patients are potentially appropriate for palliative care consultation. However, estimates based on other studies range from 2 percent to 6 percent of the patients discharged from hospitals.\textsuperscript{35} For hospitals in New York State large enough to support an interdisciplinary team of the type found at our four study sites, this translates into a potential pool of 12,317–36,592 hospitalized patients with Medicaid coverage who should be receiving palliative care each year.\textsuperscript{7}

Using our finding of an average $6,900 savings per admission, we estimate that the reductions in Medicaid hospital spending in New York State could eventually range from $84 million to $252 million annually (2 percent and 6 percent of Medicaid patients discharged from the hospital who received palliative care, respectively), assuming the presence of a fully operational palliative care team at every hospital with 150 beds or more. Such savings would probably be realized within five years if teams were appropriately trained and integrated within routine patient care, as was the case with the teams in this study.

**Reducing Intensive Care Expenses**

An important finding of this study was the reduction in intensive care spending. Other interventions have identified this site of care as a potential target for reducing the cost of hospitalization. What’s more, patient surveys have indicated that most would prefer not to die in hospitals and not to die in an intensive care unit. Two previous studies using interventions that focused on identifying goals of care and treatment preferences found reductions in the use of intensive care for patients who died in the hospital.\textsuperscript{36,37} Similarly, nurse-based and interdisciplinary palliative consultations focused specifically on the intensive care setting have been seen to yield similar reductions in intensive care lengths-of-stay.\textsuperscript{38,39}

Our study expands and amplifies the results of prior studies by demonstrating that palliative care teams not limited to intensive care units can produce appropriate care matched to achievable patient and family goals, as well as savings, across hospital settings. These findings support the delivery of palliative care consultation to seriously ill hospital patients, regardless of location in the hospital. Finally, for the majority of patients in this study who survived hospitalization, palliative care teams not only were associated with lower costs, but also helped identify safe and sustainable discharge options in the community.

**Contributions of Palliative Care to Medicaid**

Palliative care teams are key contributors to the kind of planning, coordination, and communication across settings necessary to get an individual’s postdischarge care plan right the first time—for example, discharge with hospice services rather than standard home care for interested and eligible patients. Targeted access to coordinated palliative care among the sickest patients receiving the most expensive care could lead to savings for state Medicaid programs beyond the hospital costs evaluated in this study and could reduce pressures to cut other important Medicaid services. The contributions of palliative care teams are key to reducing readmissions, emergency department visits, and unnecessary inpatient and outpatient service, and they need further evaluation.\textsuperscript{40}

Development of palliative care services in other settings could also benefit Medicaid. For example, the rapidly growing dually eligible nursing home population represents 7 percent of the Medicaid population but accounts for 52 percent of Medicaid spending.\textsuperscript{41} Nursing home palliative care teams could deliver care consistent with patients’ and family members’ goals while reducing the costs associated with repeated hospital readmissions borne by public programs.\textsuperscript{42–44} Finally, alternative models for palliative care delivery at smaller (largely rural) hospitals that might not be able to support a full interdisciplinary team—for example, use of palliative care advance practice nurses—need to be developed and evaluated.

**Hospital Growth Reflects Value**

Hospital recognition of the benefits of palliative care in delivering patient-centered care (care that matches treatment to goals jointly set by informed patients and their care providers), along with substantial gains in efficiency, has led to linear yearly growth in the number of US hospitals reporting palliative care programs in the past ten years.\textsuperscript{45} In 2010 more than 60 percent of American Hospital Association member hospitals reported having a palliative care program, compared to less than 10 percent in 2000.\textsuperscript{7} Despite this increase in the number of hospital programs, ensuring that services reach all patients who might benefit will require adequate program staffing, integration of palliative care services into care settings beyond hospitals, and inclusion of palliative care into new delivery models such as accountable care organizations and medical homes.

**Implications for Policy Makers**

Finally, our data have a number of implications for policy makers. These include the following: strategies aimed at increasing access to quality palliative care across care settings through regulatory and accreditation requirements for hospitals, nursing homes, and home care services; investment in workforce incentives to assure availability of adequately trained and skilled providers; recognition of palliative care service delivery through...
pay-for-performance schemes; development of quality measures—endorsed by the National Quality Forum and used by the Centers for Medicare and Medicaid Services—appropriate to a seriously ill patient population with multiple medical conditions; and inclusion of palliative care services in accountable care organizations and other new delivery and payment models.

Conclusion

In four New York State hospitals with mature, interdisciplinary palliative care consultation teams, hospital costs among patients enrolled in Medicaid were significantly lower when they had consultations with the palliative care team that resulted in care planning guidance, pain and symptom management, and appropriate discharge planning transition management. These findings are consistent with previous work demonstrating a similar effect of palliative care teams on hospital costs among Medicare beneficiaries at eight diverse hospitals in a range of states and health care markets. Policy makers employing payment, regulatory, and quality levers could markedly strengthen access to palliative care for those Americans most in need, thereby benefiting patients, families, and payers alike.

This project was supported by the United Hospital Fund of New York, the Center to Advance Palliative Care, and the National Palliative Care Research Award in Patient Oriented Research (Grant No. K24 AG022345) from the National Institute on Aging to R. Sean Morrison.

NOTES

The Care Span

when compared to usual hospital consultation teams saves money, Morrison and coauthors show that.

In this issue of Health Affairs, Sean Morrison and coauthors show that the use of palliative care consultation teams saves money when compared to usual hospital care for Medicaid patients with serious and advanced illnesses. The current health care system is ill suited to the needs of these most vulnerable and costly patients and results in "tremendous suffering," Morrison says. He and his coauthors hope that their study will help persuade policy makers that care for these patients can be improved by carefully assessing their needs and mobilizing care to meet their goals.

Morrison is a professor at Mount Sinai School of Medicine. He serves both as the director of the National Palliative Care Research Center and as the vice chair for research at Mount Sinai’s Department of Geriatrics and Palliative Medicine. He received his medical degree from the University of Chicago and, in 2010, received a national leadership award from the American Academy of Hospice and Palliative Medicine.
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