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August 17, 2026

TO: Each Supervisor

FROM: Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Director

Anish Mahajan on behalf of Barbara Ferrer

SUBJECT: COMBATING HOME HEALTH AND HOSPICE FRAUD IN LOS ANGELES COUNTY (ITEM 21, APRIL 7, 2026 BOARD AGENDA)

On April 7, 2026, the Board of Supervisors instructed the Department of Public Health to report back in writing on recommendations to improve coordination of federal and state government investigations and enforcement against fraud in the home health and hospice industries with HFID's contracted enforcement activities.

This report provides background into state actions to address hospice fraud and an update on the multi-jurisdictional inspection activities related to potential hospice fraud, which involved the California Department of Public Health (CDPH), LA County Department of Public Health's Health Facilities Inspection Division (HFID), California Department of Health Care Services (DHCS), California Department of Justice, and California Franchise Tax Board.

Background

The federal Medicare program hospice benefit covers a range of services for patients with terminal illness, which include nursing care, physician services, medical supplies and equipment, medication to manage symptoms, hospice aide and homemaker services, physical/occupational/speech therapy, spiritual counseling and short-term inpatient pain control and symptom management and respite care.

Medicare reimburses hospice providers based on the intensity of the level of care. These levels of care are:

- Routine Home Care (lowest intensity level of care), which is paid at a daily rate for care of patients who elect to receive hospice care at home (which can include being in a skilled nursing facility (SNF)) and the patient is not in medical crisis. Ninety-five percent of hospice days fall under the Routine Home Care rate.

- Continuous Home Care (high intensity/crisis level of care), which is paid at an hourly rate for periods of crisis care. Continuous home care is designed to be provided only during brief periods of crisis to keep the patient in their home, rather than sending them to a hospital of SNF and is available only to patients who are receiving hospice care in a home setting (not a SNF or hospital).
- Inpatient Respite Care (moderate-high level of care) is short-term care (up to five consecutive days), paid at a daily rate, for hospice care for a patient admitted to an inpatient facility to provide relief for family caregivers.
- General Inpatient Care (highest intensity level of care) is short-term care provided in an inpatient facility for pain control or acute or chronic symptom management that cannot be managed in other settings (e.g., an infusion).

To operate in California, hospice agencies must submit an application and be approved by CPDH's Centralized Application Branch. In 2022, due to concerns about fraud in the hospice industry, the State imposed a moratorium on new hospice agency licenses. As a result, new applicants must provide written justification and supporting documentation that demonstrates the need for services, based on geographic concentration, in the location the applicant is seeking to serve. No new licenses have been issued in Los Angeles County since the moratorium was imposed. The moratorium has been extended to January 1, 2027. Additionally, on May 20, 2026, CMS imposed a nationwide six-month moratorium on enrollment of new hospice and home health providers.

Once the application has been approved, hospice providers must undergo an inspection by CDPH. In LA County these inspections are conducted by HFID under Public Health's contract with CDPH. (LA County is the only contracted county in the nation that conducts health facilities inspections on behalf of the State and federal governments.) The licensing visit ensures the provider's policies and procedures are in place, staff have been hired and trained to provide care, and that any necessary equipment is available and staff have been trained in how to use it.

Hospice agencies are eligible to bill for State Medi-Cal payments once they have enrolled as a Medi-Cal provider through DHCS. To receive federal reimbursement under the Medicare program, these agencies must successfully complete a full-scope survey to show compliance with the Center for Medicare and Medicaid Services' (CMS) Conditions of Participation.

Once a hospice agency has been licensed and is determined to be in compliance with CMS requirements, they may elect to have future CMS compliance reviews conducted by a third-party accrediting entity that has been "deemed" by CMS to accredit the health care facility on its behalf. There are three organizations approved by CMS to conduct these surveys – the Accreditation Commission for Health Care, the Community Health Accreditation Partner, and the Joint Commission. Over 50 percent of the hospice agencies located in LA County have chosen to be "deemed" for purposes of federal surveys.

<u>Summary of DPH HFID Process for Hospice Operators</u>

Through its contract with CPDH, HFID conducts initial licensing of all new hospice operators. As mentioned above, to obtain Medicare reimbursement, these facilities must successfully complete a full-scope survey to show compliance with the CMS Conditions of Participation.

For deemed agencies, HFID performs all complaint validations on behalf of the state. Due to staffing shortages related to State funding, CDPH has directed HFID to only investigate complaints that rise to the level of Immediate Jeopardy or Level 2 non-IJ-related complaints. For reference, the levels of harm are:

TRIAGE PRIORITY GRID

Priority Level	Designation	Definition
1	Immediate Jeopardy (IJ)	Noncompliance has caused or is likely to cause serious injury, serious harm, serious impairment, or death; requires immediate corrective action.
2	Non-IJ High	Noncompliance may have caused actual physical or psychosocial harm, but does not meet IJ severity.
3	Non-IJ Medium	No actual harm; potential for more-than-minimal harm (Severity Level 2).
4	Non-IJ Low	No actual harm; minimal potential for harm (Severity Level 1).

Prior to investigating an IJ or non-IJ Level 2 complaint of a deemed agency, HFID obtains authorization from CMS prior to conducting the investigation. Level 3 or 4 complaints are referred to the deeming agencies for investigation.

HFID does not perform triennial CMS certification surveys for deemed hospice agencies. After initial licensing, HFID's role is limited to complaint validation surveys of deemed agencies. As such, after initial licensing, if a deemed hospice agency is alleged to have engaged in fraudulent activities, and there are no quality-of-care complaints requiring HFID to investigate, HFID would be unaware and not involved in any subsequent regulatory actions. If a hospice agency closes or ceases operations and there were no precipitating complaints requiring HFID investigation, HFID would likely remain unaware of the agency's closed status.

Since January 2025, HFID has received a total of 332 hospice complaints from January 2025 to present; of these, 262 agencies were deemed and 70 were not deemed. Forty-five of the complaints were triaged as Priority 1.

Summary of April Multi-Agency Coordinated Inspections

On April 6, 2026, a coordinated inspection of hospice agencies occurred in LA county that included teams from the CDPH Los Angeles District Office, HFID, California Department of Health Care Services (DHCS), and the State Franchise Tax Board (FTB). Each team involved in this action had a specific assignment. While the CDPH and HFID teams assessed quality of care issues and the operational status of these providers, DHCS was responsible for looking into billing documentation and FTB looked at financial records associated with the closed agencies.

The operation evaluated 72 hospice agencies. HFID was assigned 49 for review of quality-of-care issues and CDPH assessed 23, which are subject to further investigation. Of these, nine

were found to be closed at the time of the visit. Those agencies for which a representative could not be located during the survey (e.g., no one answered door knock or phone calls) are subject to automatic license revocation. Based on these inspections, nine agencies are subject to additional onsite investigation and potential license revocation by CDPH.

Thirty-one of the 49 agencies had current licenses to operate from CDPH, seven were non-licensed, two were pending licensure, one had an inactive license, and eight had expired licenses (all expired in 2025).

Seven agencies had a prior complaint validation survey or investigation, including one that had a federal enforcement action taken. An additional agency had been denied an initial license by HFID and was found to be operating during the April special survey action. Several of these cases were referred to CMS for further enforcement actions and in at least one instance CMS had taken action regarding improper billing before HFID received and/or investigated the complaint. CMS has not indicated in any of these instances that HFID/CDPH failed to identify potentially fraudulent activities related to an inspection into a quality-of-care complaint.

State Actions Related to Hospice Fraud

In 2022, Assembly Bill 2673 was enacted, leading to several changes to existing state regulations related to hospice agency licensure. These included:

- As mentioned above, the State imposed a moratorium on new hospice agency licenses, limiting the number of new hospice agencies that can operate in California.
- Prohibited the transfer of hospice agency licenses for five years after issuance, with some exceptions permitted in specified circumstances to ensure continuity of care for the patient(s).
- Provided CDPH with enhanced authority to ensure hospice agency compliance with state regulations.
- Prohibited hospice providers from offering or paying cash, gifts or other remuneration for patient referrals.

AB 2673 also created a State Hospice Fraud Task Force, which includes representatives from CDPH, California Department of Justice (CA DOJ), DHCS, Board of Registered Nurses, Licensed Vocational Nursing Board, Psychiatry Technician Board, and LA County's HFID. This Task Force meets regularly to coordinate investigations of hospice agencies into alleged fraudulent activities.

On June 1, 2026, CDPH proposed emergency state regulations to more tightly govern the licensing of hospice agencies. The new rules went into effect on June 22, 2026, and while they are temporary, due to their emergency nature, CDPH has indicated they plan to make them permanent. These changes are many and greatly strengthen state requirements and include:

- A detailed licensure process, which requires applicants to submit extensive documentation demonstrating organizational structure, financial capacity, and ownership interests. Licensure will not be granted until CDPH verifies completeness, accuracy, and readiness. Hospices are subject to unannounced inspections and must provide full access to records and staff.
- Requiring each hospice agency prove an "unmet need" in every county it proposes to serve. Agencies must calculate and justify their geographic service area using standardized analyses of likely hospice eligible populations. Hospices must ensure that

a licensed nurse can respond in person to a patient within two hours, informing the boundaries of approved service areas.

- Hospice agency must have an Administrator, Director of Patient Care Services, and Medical Director, which cannot be the same person. These individuals must meet specific education, experience, and training thresholds, and may work for multiple hospices only in limited rural circumstances. All management personnel are subject to mandatory orientation, annual training, and restrictions related to past disciplinary actions.
- Stronger clinical standards to ensure high quality patient care. These include requiring hospices to maintain 24/7 licensed nursing coverage, implement nurse-to-patient ratio requirements, and use a formal patient acuity system to guide staffing. Patient admissions require physician orders and certification of the patient's terminal illness. Registered nurses and interdisciplinary team members must complete initial and comprehensive assessments within specified timeframes and must maintain an individualized plan of care, which must be reviewed at least every 15 days.
- Hospice agencies must maintain medical records and ensure accuracy, confidentiality, timely documentation, and compliance with state and federal privacy laws. Patient records must be preserved for at least 10 years, safeguarded from loss, and made accessible around the clock to authorized individuals. New strict rules govern corrections, addendums, and electronic health record use, including audit-trail requirements and backup protocols.
- Detailed rules governing changes of ownership, changes of location, and other reportable changes such as shifts in leadership, services, or Medicare/Medi-Cal enrollment. These changes require application, supporting documentation, and written approval before implementation. CDPH may deny applications when applicants fail to meet regulatory standards, provide inaccurate information, or there is a lack evidence of unmet need.
- Extensive requirements for office space, mandating unshared commercial space, permanent signage, secure storage for medical records and medications, and sufficient equipment for administrative and clinical operations.
- To ensure ongoing compliance, hospices must respond to deficiencies identified during surveys with formal Plans of Correction.
- The regulations also specify the reasons a license may be denied, suspended or revoked and establish procedures for voluntary closure—ensuring continuity of patient care and proper transfer or preservation of records.

HFID is planning to initiate informational sessions this fall for hospice providers to review the new State regulatory requirements.

Opportunities for Greater Collaboration with the State and Federal Governments

The stricter emergency requirements put forth for the licensing and oversight of hospice agencies by the State in June are a significant step to address the issues of fraud and abuse in the hospice industry. HFID nurses are being trained on these new requirements and are implementing them during their inspections.

One issue of concern that arose in Fiscal Year 2025-26 was funding for HFID. Due to budgetary issues at the state level, HFID's contract was reduced in Fiscal Year 2025-26 from $135 million to $126 million, which inhibited the ability of HFID to hire additional nursing personnel to conduct inspections. Public Health recently completed negotiations of a one-year

contract extension with CDPH for Fiscal Year 2026-27, which would increase funding to $143 million and enable HFID to hire additional nursing personnel.

Public Health will be entering into negotiations with CDPH for a new contract for Fiscal Years 2027-28 through 2029-30. Beyond ensuring sufficient continued funding levels, Public Health will need to reach agreement with CDPH regarding contractual workload requirements. Due to shifting priorities at the federal and state levels, such as hospice investigations, HFID completed work beyond the metrics included in the current agreement. HFID has provided CDPH with detailed information as to the standard average hours required to perform the desired number of recertification and complaint validation surveys and will be entering negotiations this summer with CDPH on performance metrics for the new three-year contract.

As mentioned above, DHCS is responsible for processing payments to hospice agencies for care provided. Greater integration between the payment process and licensing status may facilitate the identification of inappropriate billing by hospice agencies under the Medi-Cal program.

On July 1, 2026, CMS announced new payment rules being put into place related to home health and hospice that would expand the reasons CMS can take action against fraudulent providers. The proposed rule would allow CMS to revoke a home health provider's or supplier's Medicare enrollment if it determines the enrollment presents a high risk due to the location of the provider in a geographic area that has an excessive number of providers/suppliers. CMS also would be able to revoke Medicare enrollment if a provider has been convicted of a misdemeanor related to sexual assault or financial misconduct in the past 10 years.

As noted above, over 50 percent of hospice providers in LA County have elected to have their CMS compliance reviews conducted by a third-party accrediting entity that has been deemed by CMS to accredit the health care facility on its behalf. Greater oversight by the accrediting entities might facilitate earlier and greater identification of potential fraudulent behavior by hospice providers.

There also may be an opportunity for improvements in federal Medicare payment processes for routine hospice care, which is presently paid at a per diem rate based on authorization for care, rather than retrospectively based on care provided.

Please let me know if you have any questions or would like additional information.

BF:ak

c: Chief Executive Office
County Counsel
Executive Officer, Board of Supervisors