

# **Assessing payment adequacy and updating payments: Skilled nursing facility services; home health agency services; inpatient rehabilitation facility services; outpatient dialysis services; and hospice services**

January 16, 2025

# **Assessing payment adequacy and updating payments: Skilled nursing facility services**

Brian Klein-Qiu and Carol Carter

January 16, 2026

# Overview of SNF use and spending, 2023



**SNFs**

14,500



**Medicare share of facility days**

8% (median)



**Services**

1.6 million stays



**Payments for SNF services**

\$25 billion

**Note:** SNF (skilled nursing facility). Payments do not include \$5 billion in beneficiary copayments.  
**Source:** MedPAC analysis of CMS data.



# Summary: SNF payment adequacy indicators



## Beneficiaries' access to care

- Slight decrease in supply
- Decreased volume reflects changes in policy, not adequacy of payments
- Occupancy rates increased to pre-PHE levels and indicate available capacity
- 2023 FFS Medicare marginal profit: 31%

**Mostly positive**



## Quality of care

- Quality measures remained stable
  - Discharge to community
  - Readmissions
  - RN hours per resident day
  - Nurse staffing turnover rate

**Positive**



## Access to capital

- Continued investor interest in the sector
- 2023 all-payer margin improved to 0.4%

**Positive**



## FFS Medicare payments and costs

- 2023 FFS Medicare margin: 21.9%
- 2025 projected FFS Medicare margin: 23%

**Positive**

**Note:** SNF (skilled nursing facility), PHE (public health emergency), FFS (fee-for-service), RN (registered nurse).

# Draft recommendation

For fiscal year 2026, the Congress should reduce the 2025 Medicare base payment rates for skilled nursing facilities by 3 percent.

## Implications

*Spending:* Relative to current law, spending would decrease by between \$2 billion and \$5 billion over 1 year and between \$10 billion and \$25 billion over 5 years

*Beneficiary and provider:* No adverse effect on access to care; continued provider willingness and ability to treat fee-for-service beneficiaries

# Assessing payment adequacy and updating payments: Home health care services

Evan Christman

January 16, 2025

# Overview of home health care use and spending under FFS Medicare, 2023



**Home health agencies**

Over 12,000



**Users**

2.7 million (7.8% of FFS Medicare beneficiaries)



**Volume**

8.3 million 30-day periods



**Payments for services**

\$15.7 billion

**Note:** FFS (fee-for-service).  
**Source:** MedPAC analysis of home health standard analytic file.

# Summary: Home health payment adequacy indicators



## Beneficiaries access to care

- 98% live in a ZIP code with 2 or more HHAs
- FFS Medicare per capita volume decreased
- Share of hospital discharges to home health higher than prepandemic level

**Mostly positive**



## Quality of care

- FFS Medicare beneficiaries' risk-adjusted discharge to community rate improved slightly
- Patient experience measures remained high and were stable

**Positive**



## Access to capital

- 2023 all-payer margin: 8.2%
- HHAs' acquisition efforts have slowed, but firms have continued to acquire HHAs

**Positive**



## Medicare payments and costs

- FFS Medicare margin in 2023: 20.2%
- Projected FFS Medicare margin for 2025: 19%

**Positive**

**Note:** HHA (home health agency), FFS (fee-for-service).



# Draft recommendation

For calendar year 2026, the Congress should reduce the 2025 Medicare base payment rate for home health agencies by 7 percent.

## Implications

*Spending:* Relative to current law, spending would decrease by between \$750 million to \$2 billion in 1 year and between \$10 billion to \$25 billion over 5 years

*Beneficiary and provider:* We do not expect adverse impacts on access to care; providers should continue to be willing and able to treat beneficiaries

# **Assessing payment adequacy and updating payments: Inpatient rehabilitation services**

Laurie Feinberg and Betty Fout

January 16, 2025

# Overview of IRF use and spending under FFS Medicare, 2023



**IRF Providers**

1,206



**Stays**

404,000



**Payments for IRF services\***

\$9.6 billion



**FFS Medicare share**

51% of all IRF discharges

**Note:** IRFs (inpatient rehabilitation facilities), FFS (fee-for-service). \*Includes FFS Medicare payments and beneficiary liabilities for copayments

**Source:** Provider of Services data, Medicare Provider Analysis and Review data, and Medicare cost report data from CMS and Office of the Actuary.

# Summary: IRF payment adequacy indicators



## Beneficiaries' access to care

- Capacity appears adequate
- Occupancy rate stable at 69%
- 2023 FFS Medicare marginal profit:
  - FS: 40%
  - HB: 18%

**Positive**



## Quality of care

- Facility rate of discharge to the community was stable at 67.2%
- Facility rate of potentially preventable readmissions was 8.8%

**Stable**



## Access to capital

- Hospital-based IRFs access capital through their parent institutions
- 2023 freestanding all-payer margin: 10%

**Positive**



## FFS Medicare payments and costs

- 2023 FFS Medicare margin: 14.8%
  - FS: 24%
  - HB: 1%
- 2025 projected margin: 16%

**Positive**

**Note:** IRFs (inpatient rehabilitation facilities), FS (freestanding), HB (hospital-based), IPPS (Inpatient prospective payment system). The “2023 FFS Medicare marginal profit” uses our estimates from prior work of about 80 percent of IRFs’ costs were variable and about 20 percent were fixed.



# Draft recommendation

For fiscal year 2026, the Congress should reduce the 2025 Medicare base payment rate for inpatient rehabilitation facilities by 7 percent.

## Implications

*Spending:* Relative to current law, spending would decrease by between \$750 million to \$2 billion in 1 year; and by between \$10 billion to \$25 billion over 5 years

*Beneficiary and provider:* No adverse effect on access to care; continued provider willingness and ability to treat FFS beneficiaries, though financial pressure on some providers may increase

# **Assessing payment adequacy and updating payments: Outpatient dialysis services**

Nancy Ray and Grace Oh

January 16, 2025

# Overview of outpatient dialysis services under FFS Medicare, 2023



**FFS beneficiaries on dialysis**

262,000



**FFS dialysis treatments per beneficiary per week**

2.8



**Dialysis facilities**

7,700



**Payments for outpatient dialysis services**

\$8.1 billion

**Note:** FFS (fee-for-service). Medicare FFS outpatient dialysis payments include program payments and beneficiary cost sharing liability.  
**Source:** MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS.

# Summary: Outpatient dialysis payment adequacy indicators



## Beneficiaries' access to care

- Capacity steady in 2023 as total number of Medicare beneficiaries on dialysis declined
- FFS Medicare marginal profit: 17%

**Positive**



## Quality of care

- In 2023, ED visits, admissions, readmissions, and mortality as well as patient experience remained steady for FFS beneficiaries on dialysis
- Increase in use of home dialysis for FFS beneficiaries on dialysis

**Stable**



## Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance for 2024
- 2023 all-payer margin: 15%

**Positive**



## FFS Medicare payments and costs

- 2023 FFS Medicare margin: -0.2%
- 2025 projected margin: 0%

**Mixed**

**Note:** FFS (fee-for-service), ED (emergency department).



## Draft recommendation

For calendar year 2026, the Congress should update the 2025 Medicare base payment rate for outpatient dialysis services by the amount determined under current law.

## Implications

*Spending:* No effect on spending relative to current law

*Beneficiary and provider:* No adverse effect on access to care; continued provider willingness and ability to treat FFS Medicare beneficiaries

# Assessing payment adequacy and updating payments: Hospice services

Kim Neuman

January 16, 2025

# Overview of hospice use and spending, 2023



**Hospice providers**

Over 6,500



**Patients**

1.7 million beneficiaries  
Nearly 52% of decedents



**Services**

138 million hospice days  
3.9 visits per week on average



**Payments for services**

\$25.7 billion

**Note:** "Visits per week on average" is calculated using data for beneficiaries receiving hospice routine home care.  
**Source:** MedPAC analysis of Medicare hospice claims and CME enrollment file from CMS.

# Summary: Hospice payment adequacy indicators



## Beneficiaries' access to care

- Increase in provider supply
- Increase in share of decedents using hospice, number of hospice users, total days of care
- Increased or stable length of stay
- Stable average visits per week
- FFS Medicare marginal profit: 14%

**Positive**



## Quality of care

- CAHPS® quality scores were stable
- Composite process measure increased slightly but generally topped out
- Number of visits at the end of life was stable or increased slightly, but nurse visits below 2019

**Stable**



## Access to capital

- Continued entry of for-profit providers
- Sector viewed favorably by investors
- Provider-based hospices have access via parent provider

**Positive**



## FFS Medicare payments and costs

- 2022 FFS Medicare margin: 9.8%
- 2025 projected margin: 8%

**Positive**

**Note:** FFS (fee-for-service), CAHPS® (Consumer Assessment of Healthcare Providers and Systems®).



# Draft recommendation

For fiscal year 2026, the Congress should eliminate the update to the 2025 Medicare base payment rates for hospice.

## Implications

*Spending:* Relative to current law, spending would decrease by between \$250 million and \$750 million over 1 year and between \$1 billion and \$5 billion over 5 years

*Beneficiary and provider:* No adverse effect on access to care; continued willingness and ability of providers to treat beneficiaries

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