



Medicare Payment
Advisory Commission

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June 9, 2025

Dr. Mehmet Oz, M.D., M.B.A.
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
P.O. Box 8010
Baltimore, MD 21244-1850

Attention: CMS-1835-P

Dear Dr. Oz:

The Medicare Payment Advisory Commission (MedPAC) welcomes the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS's) proposed rule entitled "Medicare Program; FY 2026 Hospice Wage Index and Payment Rate Update and Hospice Quality Reporting Program Requirements" in the *Federal Register*, vol. 90, no. 82, p. 18568 (April 30, 2025). We appreciate CMS's ongoing efforts to administer and improve the payment system for hospice services, particularly given the many competing demands on the agency's staff.

Our comments focus on two issues:

- the update to the fiscal year (FY) 2026 hospice payment rates and
- the proposed FY 2026 hospice wage index.

Proposed update to the FY 2026 hospice payment rates

CMS proposes an update of 2.4 percent to the FY 2026 hospice payment rates.

Comment

We recognize that CMS is required by statute to propose a 2.4 percent increase to the hospice payment rates for FY 2026. However, in our March 2025 report to the Congress, the Commission recommended the elimination of the update to the FY 2025 payment rates for FY 2026.¹ Our assessment of indicators of payment adequacy for hospices—beneficiary access to care, quality of care, provider access to capital, and Medicare payments relative to providers' costs—were positive. In 2023, the number of hospice providers climbed more than 10 percent, as more for-profit hospices entered the market. The share of Medicare

¹ Medicare Payment Advisory Commission. 2025. *Report to the Congress: Medicare payment policy*. Washington, DC: MedPAC.

decedents using hospice, the total number of beneficiaries receiving hospice care, and the total days of hospice care all increased. Among decedents, average length of stay increased and median length of stay was unchanged. Access to capital appeared adequate given the substantial growth in the number of for-profit providers and reports of continued investor interest in the sector. The 2022 Medicare aggregate margin was nearly 10 percent. Based on these positive indicators of payment adequacy, the Commission concluded that current payment rates are sufficient to support high-quality care and to recommend eliminating the increase to the base payment rates in 2026.

Proposed FY 2026 hospice wage index

Since 1998, CMS has used general acute care hospital wage data to develop the hospice wage index. For FY 2026, CMS proposes to continue to use the unadjusted inpatient prospective payment system (IPPS) wage index (referred to as the “pre-floor, pre-reclassification hospital inpatient wage index”), with a hospice-specific national floor and a 5 percent cap on wage index decreases from one year to the next year.

Comment

The Commission supports CMS's annual process to update the hospice wage index with newer wage data. The Commission also supports having a policy to cap the wage index changes a provider can experience in a given year. We continue to urge CMS to apply a cap to the wage index increase that a provider can experience in a given year as well.

However, the Commission has long been concerned with flaws in the wage indexes Medicare uses to adjust provider payments to reflect geographic differences in labor costs.² To improve the accuracy and equity of Medicare's wage index systems for IPPS hospitals and other providers (such as, but not limited to, hospices), Medicare needs wage indexes that are less manipulable, more accurately and precisely reflect geographic differences in market-wide labor costs, and limit how much wage index values can differ among providers that are competing for the same pool of labor. In the Commission's June 2023 report to the Congress, we recommended that the Congress repeal the existing Medicare wage index statutes, including current exceptions, and require the Secretary to phase in a new Medicare wage index system for hospitals and other types of providers that:

- Uses all-employer, occupation-level wage data with different occupation weights for the wage index of each provider type;
- Reflects local area level differences in wages between and within metropolitan statistical areas and statewide rural areas; and
- Smooths wage index differences across adjacent local areas.³

²Medicare Payment Advisory Commission. 2007. *Report to the Congress: Promoting greater efficiency in Medicare*. Washington, DC: MedPAC.

³Medicare Payment Advisory Commission. 2023. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC.

We urge the Secretary to use existing authority to adopt the Commission's recommended approach for hospices.

Conclusion

MedPAC appreciates your consideration of these issues. The Commission values the ongoing collaboration between CMS and MedPAC staff on Medicare policy, and we look forward to continuing this relationship. If you have any questions regarding our comments, please do not hesitate to contact Paul B. Masi, MedPAC's Executive Director, at 202-220-3700.

Sincerely,

A handwritten signature in black ink, appearing to read "m. chernew", with a long horizontal line extending to the right.

Michael E. Chernew, Ph.D.
Chair