

Assessing payment adequacy and updating payments: Skilled nursing facility services

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Overview of SNF use and spending under FFS Medicare, 2024



SNFs

14,400



Medicare share of facility days

8% (median)



Services

1.5 million stays (in SNFs)



Payments for services*

\$34 billion (in SNFs + swing beds)

Note:

FFS (fee-for-service), SNF (skilled nursing facility). *Includes FFS Medicare payments and beneficiary liabilities for copayments.

Source:

MedPAC analysis of Medicare Provider Analysis and Review data.

Summary: SNF payment adequacy indicators



Beneficiaries' access to care

- Slight decrease in supply
- Decreased volume does not reflect adequacy of payments
- Occupancy rates increased to pre-PHE levels and indicate available capacity

Mostly positive



Quality of care

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

Stable



Access to capital

- Continued investor interest in the sector
- 2024 all-payer margin: 2.1%

Positive



FFS Medicare payments and costs

- 2024 FFS Medicare margin: 24.4%
- 2026 projected FFS Medicare margin: 25%

Positive

Note:

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

Draft recommendation

For fiscal year 2027, the Congress should reduce the 2026 Medicare base payment rates for skilled nursing facilities by 4 percent.

Implications

- *Spending:* Relative to current law, spending would decrease by between \$2 billion to \$5 billion in 1 year and by between \$10 billion to \$25 billion over 5 years
- *Beneficiary and provider:* We do not expect adverse impacts 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

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Overview of home health care use and spending under FFS Medicare, 2024



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

\$16.0 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

- HHAs declined by 1% in 2024 (excluding CA)
- 97% live in a ZIP code with 2 or more HHAs
- FFS Medicare per capita volume increased

Mostly positive



Quality of care

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

Stable



Access to capital

- 2024 all-payer margin: 5.0%
- HHAs' acquisition efforts have slowed, but firms have continued to acquire HHAs

Positive



Medicare payments and costs

- FFS Medicare margin in 2024: 21.2%
- Projected FFS Medicare margin for 2026: 19%

Positive

Note:

HHA (home health agency), FFS (fee-for-service), CA (California).

Draft recommendation

For calendar year 2027, the Congress should reduce the 2026 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 by between \$10 billion to \$25 billion over 5 years

Beneficiary and provider: We do not expect adverse impacts on access to care; continued provider willingness and ability to treat fee-for-service beneficiaries

Assessing payment adequacy and updating payments: Inpatient rehabilitation services

Laurie Feinberg, Betty Fout

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Overview of IRF use and spending under FFS Medicare, 2024



IRFs

1,170



Stays

435,000



Payments for services*

\$11.0 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: Medicare Provider Analysis and Review data and Medicare cost report data from CMS.

Summary: IRF payment adequacy indicators



Beneficiaries' access to care

- Capacity appears adequate
- Occupancy rate stable at 71%

Positive



Quality of care

- Facility rate of discharge to the community was stable at 67.5%
- Facility rate of potentially preventable readmissions was 9.2%

Stable



Access to capital

- Hospital-based IRFs access capital through their parent institutions
- 2024 freestanding all-payer margin: 11.6%

Positive



FFS Medicare payments and costs

- 2024 FFS Medicare margin: 17.1%
 - FS: 25.0%
 - HB: 4.1%
- 2026 projected margin: 18%

Positive

Note: IRFs (inpatient rehabilitation facilities), FS (freestanding), HB (hospital-based), IPPS (Inpatient prospective payment system).

Draft recommendation

For fiscal year 2027, the Congress should reduce the 2026 Medicare base payment rate for inpatient rehabilitation facilities by 7 percent.

Implications

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

Beneficiary and provider: We do not expect adverse impacts on access to care; continued provider willingness and ability to treat fee-for-service beneficiaries

Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray, Grace Oh

January 15, 2026

Overview of outpatient dialysis services under FFS Medicare, 2024



FFS beneficiaries on dialysis 240,500



FFS dialysis treatments per beneficiary per week 2.8



Dialysis facilities 7,600



Medicare FFS outpatient dialysis spending \$7.6 billion

Note:

FFS (fee-for-service). Medicare FFS outpatient dialysis payments include program payments and beneficiary cost sharing.

Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS.

Summary: Outpatient dialysis payment adequacy indicators



Beneficiaries' access to care

- Capacity in 2024 appears aligned with demand
- Access stable
- Steady treatments per beneficiary per week

Stable



Quality of care

- In 2024, dialysis adequacy, anemia management, admissions, readmissions, and patient experience remained steady for FFS beneficiaries on dialysis
- Increase in the share of FFS beneficiaries dialyzing at home and number of kidney transplants
- ED visits increased; mortality remained elevated

Mixed



Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance
- 2024 all-payer margin: 16%

Positive



FFS Medicare payments and costs

- 2024 FFS Medicare margin: 4.5%
- 2026 projected margin: 4%

Positive

Note:

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

Draft recommendation

For calendar year 2027, the Congress should eliminate the update to the 2026 Medicare base payment rate for outpatient dialysis services.

Implications

Spending: Relative to current law, spending would decrease by between \$50 million and \$250 million over 1 year and between \$1 billion and \$5 billion over 5 years

Beneficiary and provider: We do not expect adverse impacts on access to care; continued provider willingness and ability to treat fee-for-service beneficiaries

Assessing payment adequacy and updating payments: Hospice services

Kim Neuman

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Overview of hospice use and spending, 2024



Hospice providers

Over 6,700



Patients

1.8 million beneficiaries
Nearly 53% of decedents



Services

148 million hospice days
3.9 visits per week on average



Payments for services

\$28.3 billion

Note:

Source:

"Visits per week on average" is calculated using data for beneficiaries receiving hospice routine home care.
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 length of stay
- Stable average visits per week

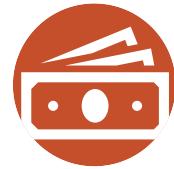
Positive



Quality of care

- CAHPS quality scores were stable
- Composite process measure increased slightly but generally topped out
- Visits at the end of life increased

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

- 2023 FFS Medicare margin: 8.0%
- 2026 projected margin: 9%

Positive

Note:

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

Draft recommendation

For fiscal year 2027, the Congress should eliminate the update to the 2026 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: We do not expect adverse impacts on access to care; continued willingness and ability of providers to treat beneficiaries



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