

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

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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: "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 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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