

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

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# Presentation roadmap

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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



## 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.

# Payment adequacy framework: Home health agencies



## Beneficiaries' access to care

- Supply and capacity
- Volume of services



## Quality of care

- Successful discharge to the community
- Potentially preventable rehospitalization
- HH-CAHPS



## Access to capital

- All-payer margin
- Financial reports



## Medicare payments and costs

- Payments and costs
- FFS Medicare margin
- Projected FFS Medicare margin

### Update recommendation for home health base rate

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

# Access: Changes in supply and volume, 2024



## Supply of providers

- 97% of FFS Medicare beneficiaries reside in a zip code with 2 or more active HHAs
- Number of HHAs declined 1% in 2024, excluding California
  - Number of HHAs in California almost doubled between 2019 and 2024



## Utilization

- 7.9% of FFS beneficiaries used home health in 2024
- Number of 30-day periods per 100 FFS beneficiaries increased 2.6% to 24.3
- 18.1% of IPPS discharges received home health care in January–October 2024 (higher share than in 2019)

**Note:**

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

**Source:**

MedPAC analysis of Home Health Compare data and Provider of Service file.

# Growth in HHA supply in Los Angeles County raises program integrity concerns

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- HHA growth in recent years has been concentrated in California, with LA County accounting for most of the increase
- LA County accounted for \$1.4 billion of FFS home health spending in 2024—accounting for 8.7% percent of total FFS home health spending, though comprising just 2.2% of FFS enrollment
- In the past, policymakers have addressed program integrity concerns via:
  - Moratoria on enrolling new providers in an area (none currently in effect)
  - Review Choice Demonstration (Illinois, Ohio, Texas, North Carolina, Florida, and Oklahoma)

**Note:**  
**Source:**

HHA (home health agency), LA (Los Angeles).  
Medicare cost reports.

# Quality of home health care was stable

| Claims-based measures                  | Median facility rate,<br>2021-2022 | Median facility rate,<br>2022-2023 |
|----------------------------------------|------------------------------------|------------------------------------|
| Discharge to community                 | 79.3                               | 80.6                               |
|                                        | <b>2021-2023</b>                   |                                    |
| Potentially preventable readmissions   |                                    | 3.8                                |
| HH-CAHPS® share of patients reporting: | 2023                               | 2024                               |
| High rating for agency performance     | 85                                 | 85                                 |
| Would recommend agency                 | 78                                 | 79                                 |
| Agency communicated well with patient  | 86                                 | 86                                 |

- Share of patients discharged to the community increased slightly in 2023
- Rate of potentially preventable readmission was low (comparable data not available for prior years)
- Patient experience measures were steady in 2024

**Note:** FFS (fee-for-service), HH-CAHPS® (Home Health Consumer Assessment of Healthcare Providers and Systems®). Discharge to community measure and rate of potentially preventable conditions are risk adjusted and pertain to FFS Medicare beneficiaries only. MedPAC analysis of claims-based outcome measures from the Provider Data Catalog, CMS summary of HH-CAHPS® public report of survey results tables.

**Source:**

# Access to capital: Less important indicator for HHAs, but investor interest continues

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- Home health care is less capital intensive than other sectors
- All-payer margin of 5.0% in 2024
- Mergers and acquisition activity peaked in 2021 and 2022 and slowed in the last two years; some firms continue to expand despite slowdown

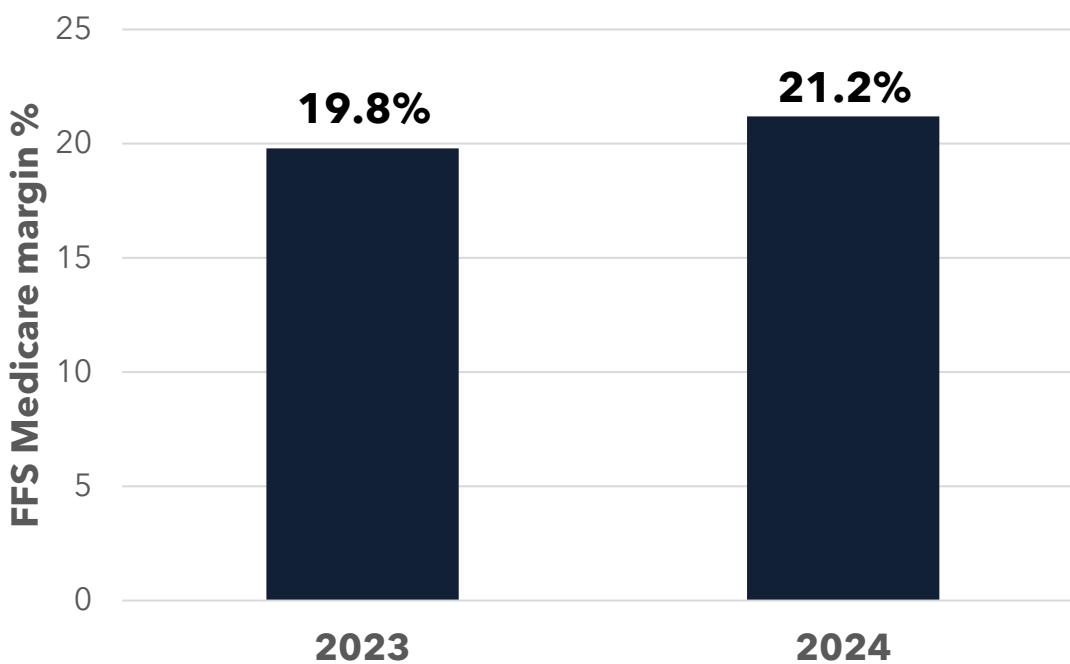
**Note:**

HHA (home health agency).

**Source:**

Medicare cost reports, *Home Health Care News*, Braff Group.

# Payments and costs: Freestanding HHAs' financial performance under FFS Medicare continued to be strong in 2024

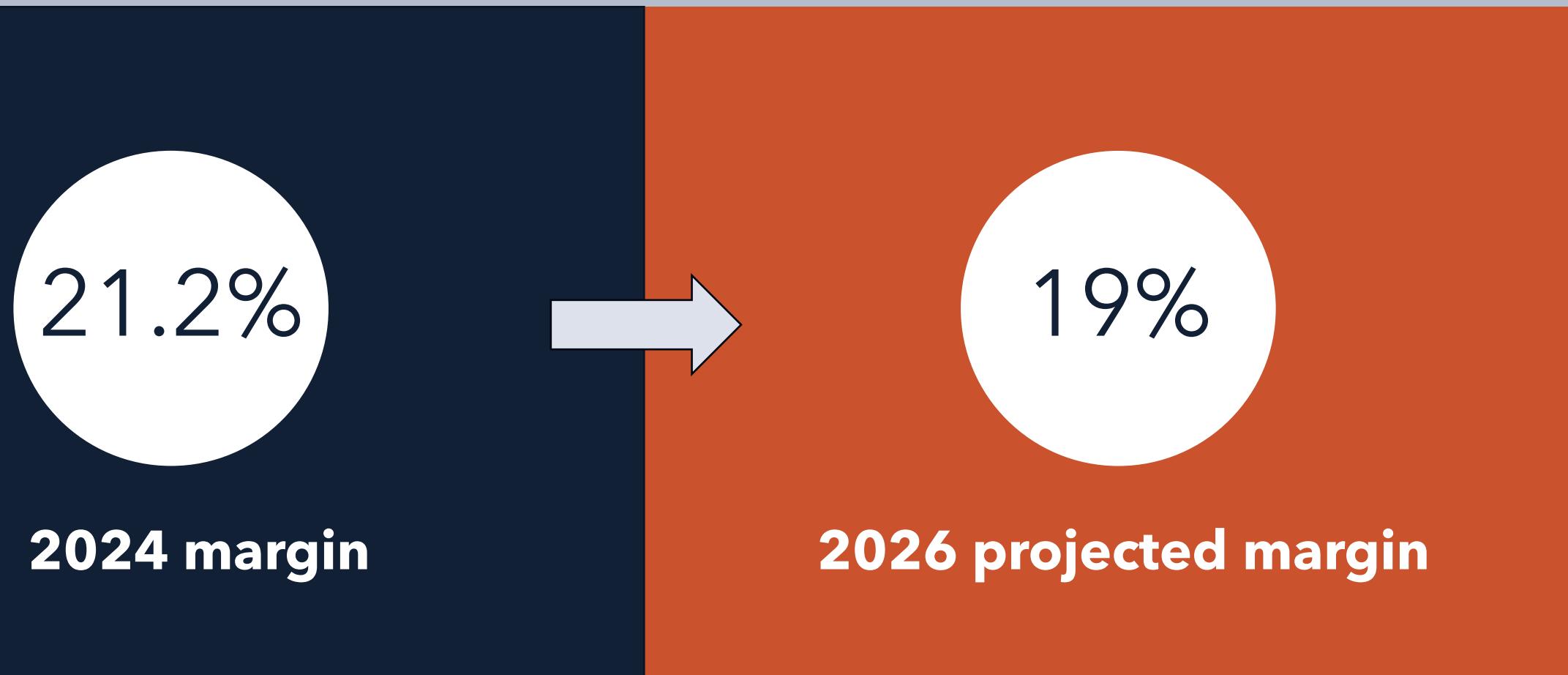


| Provider                    | FFS Medicare margin |
|-----------------------------|---------------------|
| All                         | 21.2%               |
| 25 <sup>th</sup> percentile | 5.7                 |
| 75 <sup>th</sup> percentile | 31.0                |
| Type of geography           |                     |
| Urban                       | 21.3                |
| Rural                       | 20.4                |
| Type of ownership           |                     |
| For-profit                  | 23.1                |
| Nonprofit                   | 12.2                |

Note:  
Source:

HHA (home health agency), FFS (fee-for-service).  
MedPAC analysis of CMS cost report.

# Payments and costs: FFS Medicare margin for HHAs projected to remain high in 2026



**Note:**  
**Source:**

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

MedPAC analysis of HHA cost report and claims data, CMS final rules, and CMS market basket data.

# Home health PPS payment policy changes in 2025 and 2026

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- Key policies in 2025:
  - Annual payment update of 2.7%
  - $-1.975\%$  reduction required by BBA of 2018
- Key policies in 2026:
  - Annual payment update of 2.4%
  - $-3.9\%$  reduction required by BBA of 2018 (includes both permanent and temporary reductions)
- Projected margin in 2026 reflects net impact of these policies

**Note:**

HHA (home health agency), BBA (Balanced Budget Act).

**Source:**

Medicare cost reports, *Home Health Care News*, Braff Group.

# 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).

A large, ornate dome of a classical building, likely the US Capitol, is visible in the background, rendered with a soft, out-of-focus effect.

# Chair's draft recommendation

# Chair's draft recommendation

For calendar year 2027, the Congress should reduce the 2026 Medicare base payment rate for home health care services by 7 percent.

## Implications:

- *Spending:* Decrease spending relative to current law
- *Beneficiary and provider:* No adverse effect on access to care; continued provider willingness and ability to treat fee-for-service beneficiaries

Note: FFS (fee-for-service).



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