

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

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

Quality of home health care was stable

Claims-based measures	Median facility rate, 2021-2022	Median facility rate, 2022-2023
Discharge to community	79.3	80.6
	2021-2023	
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.

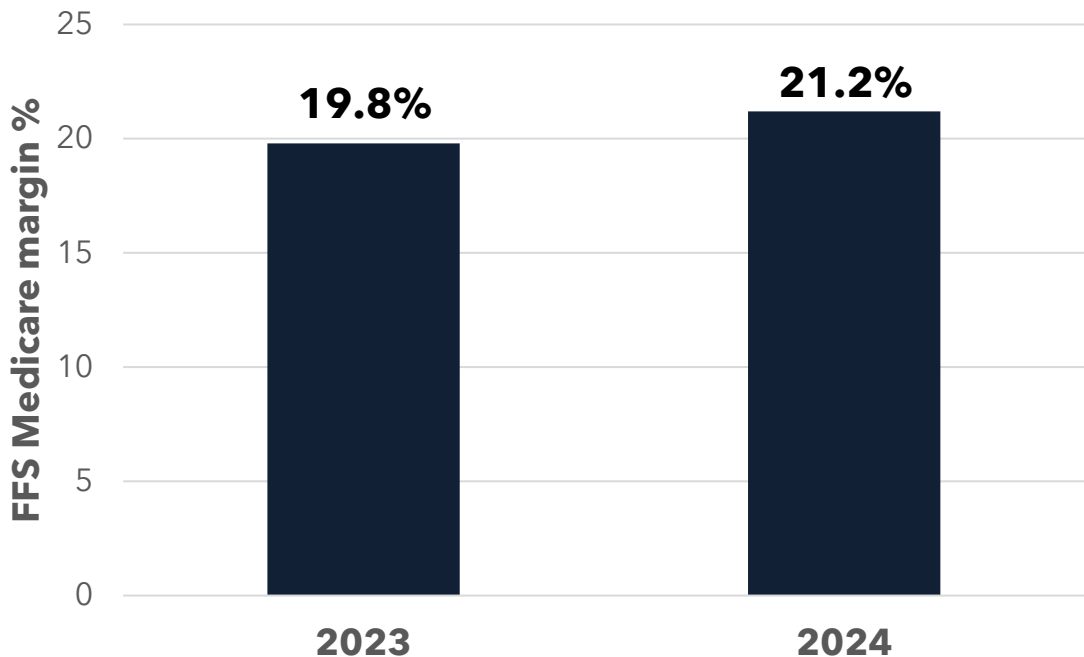
Source: MedPAC analysis of claims-based outcome measures from the Provider Data Catalog, CMS summary of HH-CAHPS® public report of survey results tables.

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

- 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
<u>All</u>	21.2%
25 th percentile	5.7
75 th percentile	31.0
<u>Type of geography</u>	
Urban	21.3
Rural	20.4
<u>Type of ownership</u>	
For-profit	23.1
Nonprofit	12.2

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

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

21.2%

2024 margin



19%

2026 projected margin

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

- 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).



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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