

# CAPITOL STREET

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## 2025 Home Health & ESRD Proposed Rule Preview

### Home Health Flat-To-Down, Dialysis Orals in Bundle (Legislation Pending)

Relevant Companies



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### »» Our Take & Next Up

**CMS is set to release proposed CY25 rules for home health & dialysis over the next few days (due by July 1, but early-to-mid July possible).** Our take on the pending rules can be found below and are based on past policy proposals punted on by the agency (CMS) and/or bills pending in Congress, mandates. Home health (HH) could be a flat/slightly negative update, due to the agency's updated data and recoupment initiative of the last several years (permanent & temporary recoupments). We note that separately the HH industry aims to push legislation to obliterate "temporary" recoupments, per the 2018 Patient Driven Grouping Model (PDGM) payment methodology. On dialysis, there is a Congressional effort to delay orals in bundle policy (by about ten years) but the bill is costly, with passage unlikely in 2024. More use of home dialysis & and MA penetration has reduced outpatient dialysis treatments over the last 2-3 years.

### »» Key Points

#### HOME HEALTH

**Overall market basket update (~2.6%) for 2025 may be wiped out due to adjustments from the agency.** That means a 0% to negative headline may be the headline proposal for 2025. We could see improvement in the final if this is the case. We are watching for the following,

- The "permanent" adjustment (PDGM) likely amounts to a flat or net negative rate update for agencies in 2025. Again, this is unknowable until the CMS rule comes out, but the math is trending that way as CMS said it will recalculate changes with updated data (old model vs. new one). Since 2020, the permanent adjustment was about ½ of what it was supposed to be.
- Another "temporary" recoupment estimate of overpayments, as CMS has provided for the last few years. This could amount to \$3-4 B. Recall that CMS has not actually recouped these overpayments; the agency has simply calculated what they would be (between the old & new model).

**Recall the new HH payment rules were put in place in 2018.** There was a -4.6% behavioral adjustment. Despite being declared budget neutral, the case-mix system was put in place to continue with rate adjustments until 2026. This is the co-called "permanent" adjustment, the Patient Driven Grouping Model (PDGM).

**There is pending legislation in place that could completely abolish the "temporary" payment reductions from CMS (cost of approximately \$15 B over ten years).** Industry is seeking to pass by YE with bipartisan support in the House & Senate.

**Home health relief legislation will only pass if offsets are offered, but ~\$15 B is a significant price tag.** The lame duck session of Congress could be the time and place for this type of legislation to pass. Senators Stabenow (D-MI) and Collins (R-ME) are cheerleaders for the homecare industry and have pushed home health "fixes" in the past. Like hospitals, home health agencies are in every state and district and enjoy widespread congressional support.

## DIALYSIS

**We wrote about the cut to ESRD per the Med Advantage (MA) final rules for 2025 being not really a cut ([here](#)).** Large dialysis organizations (LDOs) (DVA, FMS) have supported recent legislation that would delay the movement of the phosphate binders from Part D to B, CMS confirmed in final 25 rates that that these payments are embedded into the ESRD USPCC.

**Could we see Part D to B movement from CMS?** On the legislative side, the *Kidney PATIENT (Patient Access to Technologically Innovative and Essential Nephrology Treatments) Act* is progressing in the House, despite the lack of a Senate companion bill. The bill prohibits CMS from moving oral ESRD drugs into the bundle until January 1, 2033, or until new intravenous therapies are FDA approved. The bill has bipartisan support but is likely expensive, lowering odds of passage. The Act passed out of both the House Energy & Commerce (Chair McMorris Rodgers, R-WA) and Ways & Means Committee (Chair Smith, R-MO) in March 2024.

### **Dialysis trends (per MedPAC): MA enrollment & increased use of home dialysis.**

The dialysis market saw a slowdown in growth due to increased use of home dialysis, among other factors. MedPAC noted the following trends at its December meeting:

- A decline in the total number of treatments by freestanding dialysis facilities and an increase in use of home dialysis.
- Increased enrollment in MA by ESRD patients is driving a decline in fee for service dialysis treatments. Between December 2020 and December 2022, the share of beneficiaries on dialysis enrolled in MA climbed from 27% to 47%. During the same period, FFS dialysis treatment declined by 14%. The significant switch to Medicare Advantage is likely being driven by the availability of supplemental benefits and the lower cost sharing liability.

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**Ipsita Smolinski**  
**Managing Director | Capitol Street**  
ipsita@capitol-street.com

202.250.3741 | www.capitol-street.com

900 19th St NW 6th Fl  
Washington, D.C. 20006

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