

# CAPITOL STREET

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January 16, 2026

## MedPAC Keeps Pressure on Post-Acute Providers, Holds Hospitals to Current Law

Hospitals (Current Law), Dialysis (0%), Hospice (0%), SNFs (-4%), Home Health (-7%), IRFs (-7%), Docs (+1.25%)

Relevant Companies

ALL HEALTHCARE

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### »» Our Take & Next Up

**MedPAC, the non-partisan commission that advises Congress, voted to recommend that 2027 hospital pay stay at current levels, and post-acute providers be reimbursed 0% to -7% depending on the provider (e.g., hospice, IRF, home health, SNF).** Home health (-7%), IRFs (-7%), and SNFs (-4%) remain the most pressured, while dialysis and hospice would see eliminated updates. Physician pay received a modest (+1.25%) upward adjustment. MedPAC's recommendations typically are not enacted but act as a guide for Congressional payment updates as needed. The report could hold more weight in an election year as Congress and the Trump Administration continue to focus on affordability. Discussions reaffirmed support for expanding site-neutral payments in hospital outpatient departments, as we saw in the HOPD final rule (our take [here](#)). Commissioners also flagged limited visibility into the growth of concierge physician models. Other key MedPAC research areas for the future include the potential for tighter updates impacting hospital-based inpatient rehabilitation facilities, as they have thinner margins relative to freestanding IRFs.

### »» Key Points

**The skinny:** Post-acute providers remain MedPAC's primary targets, with proposed cuts to home health, IRFs, and SNFs; hospitals are held to current-law updates, dialysis and hospice would see eliminated updates, and physicians receive a modest increase.

#### HOSPITALS = CURRENT LAW UPDATE IN '27

**MedPAC voted (15-0, 2 abstentions) that Congress update pay for acute care hospitals (THC, UHS, HCA, CYH, others) by "current law" in 2027.** The recommendations aim to limit the need for large, across the board payment rate increases to target Medicare payments to safety-net hospitals. Most commissioners support moving forward with the recommendation but want closer monitoring of its impact, particularly on rural emergency hospitals (REHs). Slides are [here](#).

**Medicare margin for all IPPS hospitals in 2025 is projected to be -10% (versus -12%) in 2024.** Margins are expected to be driven by the effect of increase in uncompensated care payments and growth in outpatient

drugs. Aggregate Medicare margin for IPPS hospitals in 2024 was -12.1%. For more efficient hospitals, the overall Medicare margin was -1%. “All-payer” margin for 2024 increased to +6.5%, from +5.2% in 2023, driven by 340B remedy payments and slower growth in labor costs.

**Future site neutral policies supported by MedPAC include equalizing visits in on-campus HOPDs and targeting exempted provider based departments (PBD).** PBDs that were furnishing services prior to Nov. 2, 2015 are considered to be “Excepted Off-Campus PBDs” and exempt from current site neutral policies. Current site neutral payment policies cover services in off-campus PBDs. Starting 2026, drug administration services will be subject to site neutral policies. See our analysis of the final HOPD rule [here](#).

## **DIALYSIS = 0% UPDATE IN ‘27**

**MedPAC voted (17-0) that Congress eliminate the update to the 2026 base payment rate for CY 2027.** Commissioners were supportive of the recommendation. Link to slides is [here](#), (slides 13-16).

**MedPAC projects a 2026 Medicare margin of 4% (down from 4.5% in 2024) for outpatient dialysis services.** Aggregate Medicare margin for dialysis services increased significantly in 2024, rising to 4.5%. All-payer margin in 2024 was +16%.

**Commissioners discussed high ED (emergency department) usage and disparities between home and in-center dialysis, and lamented the end of the ETC CMMI demonstration.** The group called for deeper analysis of clinical and access-related drivers to address high ED utilization. Additionally, they noted uneven incentives between home and in-center dialysis, as well as disappointment over the early end of the ETC (ESRD Treatment Choices) model. The Commission also discussed the lack of Medigap access for younger ESRD beneficiaries as well as higher dialysis costs in MA, the latter a trend that MA plans like to emphasize. . See our analysis of the final dialysis rule [here](#).

## **HOME HEALTH = -7%**

**For CY 2027, MedPAC voted (18-0) that Congress reduce the 2026 Medicare base payment rate for home health agencies by -7%.** Link to slides is [here](#), (slides 5-8).

**MedPAC projects a 2026 Medicare margin of +19% (down from +21.1% in 2024) for home healthcare services.** Decline is attributed to cost growth outpacing payment growth and increased MA enrollment pulling down margins. Medicare marginal profit for for-profit home healthcare services was +23.1%, and nonprofit was 12.2%. Medpac reported the amount of HHAs used by FFS beneficiaries was +7.9% in 2024. The number of IPPS discharges receiving care was 18.1% in 2024. The number of 30-day periods per 100 FFS beneficiaries was +2.6%. All-payer margin for 2023 was +5.0%.

**Commissioners highlighted program integrity issues in Los Angeles, insufficient physician involvement, and monitoring MA pressures.** The group highlighted Los Angeles as a significant outlier in home health utilization and provider growth, emphasizing the need to distinguish legitimate care innovation from potential fraud or overuse. Commissioners also pointed to weak physician involvement in certifications and care planning and noted that vertical integration and Medicare Advantage payment pressures warrant continued monitoring. See our analysis of the final home health rule [here](#).

## **INPATIENT REHAB FACILITIES (IRFs) = -7%**

**MedPAC voted 18-0 that Congress reduce the Medicare base payment rate for inpatient rehabilitation facilities by -7% for FY 2027.** Non-partisan commissioners largely supported the recommendation. Link to slides is [here](#), (slides 9-12).

**MedPAC projects a 2026 Medicare margin of +18% for IRF services.** Growth is attributed to an assumed increase in payment that will be more than cost growth from current market basket projections. The Medicare margin for inpatient rehab services in 2024 was +17.1%. Medicare margin for freestanding facilities in 2024 was +25%, significantly higher compared to +4.1% for hospital-based IRFs. Fee-for-service Medicare patients made up 17.1% of all IRF discharges. All-payer margin for 2024 for freestanding facilities was +12%.

**Commissioners questioned the margin differences in freestanding and hospital-based IRFs.** Many asked whether lower margins for hospital-based units could lead providers to leave the IRF business under a 7% reduction. Small differences in quality were identified, with nonprofit IRFs performing slightly better, but commissioners cautioned against over-interpreting margin variations by provider type. Our analysis of the final rehab pay rule [here](#).

## **SKILLED NURSING FACILITIES (SNF) = -4%**

**MedPAC voted (18-0) that Congress reduce the base rate for skilled nursing facilities by -4% in FY 2027.** There was broad support for recommendations capping increases at 4% above current law, though Commissioners note that this may appear conservative amid excessive margins.

**MedPAC projects a 2026 Medicare margin of +25% (up from +24.4% in 2023) for SNF services.** See slides [here](#). Medicare margin for SNF services in 2024 was +24.4%. For freestanding providers, Medicare margins were +24.4%. "All-payer margin" for freestanding SNFs in 2024 increased to +2.1% with fewer SNFs having negative total all-payer margins in 2024. Financial performance of the sector is heavily influenced by states' Medicaid nursing home rates.

**SNF quality remains a consistent concern.** Commissioners noted that SNF discharge rates inaccurately measure quality in SNFs. Proposals include shifting toward performance-based systems and payments alongside value-based purchasing programs. For Star Ratings, commissioners wanted to see alternative calculations for nursing home star ratings that ensure a wide range of data distribution. A main shared goal was ensuring that low-quality facilities receive 1-star ratings to enhance accountability.

**Last month, the Trump administration finally rescinded the SNF staffing rules.** The Biden-era rule introduced in 2023 would have required nursing homes to increase their staffing and have a registered nurse on premise around the clock. Lawmakers and other stakeholders opposed the rule, and a federal judge struck it down in April 2025, claiming HHS overstepped their jurisdiction. The agency rescinded the rule, citing concerns that the staffing mandate is not feasible for certain facilities, particularly those in rural and tribal communities..

## **HOSPICE = 0%**

**MedPAC voted (17-0) that Congress eliminate the update for FY 2027.** Commissioners were supportive of the recommendation, particularly in light of the poor performance of a significant number of hospices and the

positive margins for providers. The overall Medicare margin for hospices was +8% for all provider types in 2023. Link to slides is [here](#), (slides 17-20).

**Commissioners recognized strong hospice access, but were concerned about the widening margin differences in for-profit and nonprofits that could strain rural access to care.** They saw a decline in rural hospices, and emphasized the need to ensure access for more vulnerable beneficiaries. The group was concerned that 10% of CAHPS (Consumer Assessment of Healthcare Providers and Systems) respondents gave low ratings, calling for continued monitoring of quality and integrity safeguards. They also encouraged clearer monitoring of ownership trends and service patterns, including the role of insurer acquisitions. Our analysis of the hospice final rule [here](#).

#### **PHYSICIANS = +1.25% UPDATE IN '27**

**For CY 2027, Congress should update the Medicare base payment rate for physicians by +0.5% more than current law (11-2 vote).** This would increase payment rates by +1.25% for A-APM clinicians; +0.75% for all other clinicians. Projected MEI is +2.1% for 2027. After peaking at 4.3% in 2022, the index slowed to roughly 3% in 2024 and is expected to ease further. Overall the recommendation received support from the commissioners but they want to see the impact of 0.5 percentage points play out. Link to slides is [here](#).

**Median physician compensation from all payers grew by +3.5% per year from 2019 to 2024.** In 2024, all-payer compensation for physicians grew +6%. Commercial PPO payment rates were 140% of FFS Medicare rates in 2023, up from 136% in 2022. Growth in commercial payments is likely due to increased provider consolidation that creates greater negotiating power with insurance companies.

**Commissioners noted the evolving landscape of physician practices including the increase in retainer-based or concierge practices.** MedPAC access and payment adequacy surveys do not extend to these practices, so the true size and impact of this market is not well quantified. See our analysis of the final physician payment rule [here](#).

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