

January 11, 2024

+6% Hospital Update for 2025 (MedPAC)

HH -7%, Rehab -5%, SNF -3%, Hospice 0%, Dialysis +2%

Relevant Companies All Healthcare

»» Our Take & Next Up

MedPAC voted on 2025 pay today; The recommendations are helpful for hospitals and dialysis and more detrimental for post-acute providers. Very little has changed since the December margin discussion. In recent years the Commission had wielded less influence on cuts via Congress (or CMS), but the Commission has put its stake in the ground and will discuss Medicare Advantage (MA) tomorrow at 9 am ET. We note that these are mere recommendations: CMS or Congress would be responsible for implementing the boosts or cuts.

»» Key Points

The skinny. Post acute was the most beat-up: with the non-partisan Commission voting to cut pay -7% for Home Health, -5% for IRF (Rehab Hospitals), and -3% for SNF, that are under new orders by the Biden Administration to increase staffing (see our prior analysis [here](#)). Physician pay votes are unsurprising, as Congress seeks to soften-the-blow to Medicare physician pay in 1Q24 (which ought to happen, though not a full reversal of the -3.4% fee schedule cut). Hospitals & Dialysis would see a positive update. FFS utilization in ESRD is coming down (seniors opting for home dialysis, many accessing care via Medicare Advantage plans).

HOSPITALS = +6.6% UPDATE IN '25 (slides [here](#))

MedPAC voted that Congress update pay for acute care hospitals (THC, UHS, HCA, CYH, others) by "current law" (+3.8%) + 1.5% in 2025. Hospitals would also likely get an extra +1.3% from the Medicare Safety Net Index (MSNI) that is recommended. This is compared to updates of +2.4% in 2021, +2.5% in 2022, and +2.5% in 2023.

Secondarily, MedPAC voted (not unanimous, however) that Congress should redistribute existing DSH and uncompensated care payments through the Medicare Safety Net Index (MSNI) using the mechanism described in 2023 + add \$4 B to the MSNI pool. As a reminder, in March 2023, Commissioners made the same [recommendations](#), but only allocated \$2 B to the MSNI pool. The amount for the MSNI pool was doubled to include funding for Medicare Advantage with \$2 B each for FFS and MA. MSNI would essentially replace existing DSH payments and would boost payouts to Medicare safety-net hospitals.

PHYSICIANS = MB+ 50% MEI AS -3.4% PAYCUT FIX LOOMS (slides [here](#))

MedPAC voted unanimously that Congress update the Medicare base payment rate for physicians by current law plus 50% of the projected increase in the Medicare Economic Index (MEI) for 2025. CMS forecasts a +2.6% MEI increase in 2025.

Secondarily, MedPAC voted on last year's (March 2023) recommendations for additional payment to bump primary care +15%. These would be a 15% add-on for primary care clinicians and 5% add-on for non-primary care clinicians. The Commission recommends that add-on payments should not be subject to beneficiary cost sharing and not be budget neutral.

HOSPICE = 0% (slides [here](#))

MedPAC voted that Congress eliminate the update for 2025. 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 +13.3% for all provider types.

DIALYSIS = +3.8% UPDATE IN '25 (slides [here](#))

MedPAC voted that Congress update the Medicare ESRD base rate by the rate determined under current law (+2%) plus an additional +1.8%.

HOME HEALTH = -7% (slides [here](#))

MedPAC voted that Congress reduce the 2025 Medicare base payment rate for home health agencies by -7%.

INPATIENT REHAB FACILITIES (IRFs) = -5% (slides [here](#))

MedPAC voted that Congress reduce the base payment rate for inpatient rehabilitation facilities by -5% for 2025. The pain continues for IRF but the richly paid facilities have avoided major cuts by Congress or CMS over the years.

SKILLED NURSING FACILITIES (SNF) = -3% (slides [here](#))

MedPAC voted that Congress reduce the base rate for skilled nursing facilities by -3% in 2025. This is the same % that the Commission put forth earlier in 2023 for 2024. Non-partisan commissioners generally agreed with the recommendation with some Commissioners suggesting SNFs be offered the opportunity to earn back some percentage based on improved quality metrics and staffing measures. However, MedPAC cannot make an "earn back" recommendation in the rate update without making changes to their standing SNF value incentive program (VIP) recommendation.

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

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

202.250.3741 | www.capitol-street.com

CAPITOL STREET

Copyright 2024 Capitol Street.

This communication, including this broadcast and any attachments hereto, is intended solely for the original recipient(s) and may not be redistributed without the written consent of Capitol Street. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial instruments, nor is it intended as advice to purchase or sell such instruments

