

CAPITOL STREET

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-1.7% Home Health 2025 Rate Proposal

Worse Than Our Anticipated Flat-to-Slightly Down Rate Outlook

Relevant Companies



»» Our Take & Next Up

Home health agencies in CY25 take a hit, per our preview, with for-profits -1.5% proposed. This evening, CMS released the proposed 2025 home health agency (HHA) rates in a proposal [here](#). CMS estimates Medicare payments to all agencies will decline by -1.7% (and -1.5% for free-standing proprietary agencies). Comments will be accepted before final rates are published around Nov 1, 2024. New policies take effect Jan 1, 2025. The home health industry is aiming for a legislative fix to obliterate “temporary” recoupments, per the 2018 Patient Driven Grouping Model (PDGM) payment methodology that evolved to entail other overpayments. The industry hoped to have legislation included in a year-end package but the cost (~\$15 B costs over 10) means passage will only happen if germane offsets are offered. Our preview is [here](#).

»» Key Points

The puts and takes. The -1.7% update reflects the effects of the proposed CY 2025 home health payment update of +2.5% (\$415 M increase), an estimated -3.6% from the effects of the permanent behavior adjustment (\$595 M decrease), and an estimated -0.6% decrease from an update to the fixed-dollar loss ratio (\$100 M decrease). Proprietary home health agencies’ (HHAs) payments are projected to decline -1.5%.

CMS continues with permanent pay adjustment decreases (-4.067%) to PDGM. For CY 2025, using CY 2023 claims and methodology, CMS determined that Medicare still paid more under the new system than it would have under the old system. As a result, an additional permanent adjustment of -4.067% to be made to the 30-day base payment rate is being proposed.

Recall the new HH system (PDGM) was established 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 so-called “permanent” adjustment, the Patient Driven Grouping Model (PDGM).

CMS is proposing (yet again) not to take the temporary adjustment in 2025. The agency is taking into account the significant cut that could result from the impact of both the temporary and permanent adjustments together for CY 2025 rate setting. In future year rulemaking, CMS will propose a temporary adjustment factor to the national standardized base payment rate as appropriate.

The intravenous immune globulin (IVIG) payment rate is increased by the proposed pay update of +2.5%. This is a \$10.51 increase compared to the CY24 payment rate of \$420.48. CMS provides a separate bundled payment for Medicare-covered items and services related to the administration of IVIG to an individual in the patient's home.

Other policies on patients/staffing, reporting and quality:

- **Proposed HH 'conditions of participation' changes include adding a new standard: ability to serve based on anticipated needs.** CMS is proposing that the policy must address info related to the HHA's capacity to provide patient care: the anticipated needs of the referred prospective patient, the HHA's caseload and case mix, the HHA's staffing levels, and the skills and competencies of the HHA staff. Additionally, CMS is proposing that HHAs make available to the public info regarding the services offered by the HHA and any service limitations. This builds on the agency's previous working on staffing requirements.
- **COVID-19 reporting is replaced by broader acute respiratory illness reporting for long term care (LTC) facilities.** Starting in 2025, this new standard would require facilities to report information about COVID-19, influenza, and respiratory syncytial virus (RSV) to the CDC National Healthcare Safety Network (NHSN). Reporting data requirements include facility census; resident vaccination status for COVID-19, influenza, and RSV; confirmed resident cases of COVID-19, influenza, and RSV (overall and by vaccination status); and hospitalized residents with confirmed cases of COVID-19, influenza, and RSV (overall and by vaccination status).
- **Proposed changes to Quality Reporting Program includes 4 additions and 1 replacement (beginning in 2027).** The four new assessment items proposed for collection are (1) Living Situation, (2) Food Runs Out, (3) Food Doesn't Last, and (4) Utilities. As a reminder, a failure to submit required HH QRP data results in the reduction of the annual home health market basket percentage increase received by an HHA.
- **The proposed rule also includes an RFI on future performance measure ideas for the Expanded HHVBP Model.** RFI aims to build on input from the Expanded Home Health Value-Based Purchasing (HHVBP) Model's Implementation and Monitoring technical expert panel (TEP) on measurement gaps. There are no proposed changes to the expanded HHVBP Model for CY 2025.

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