



# Medicare Home Health Prospective Payment System Proposed Rule Impact Analysis Calendar Year 2025

-Version 1-

## Analysis Description

The calendar year (CY) 2025 Medicare Home Health (HH) Prospective Payment System (PPS) Proposed Rule Impact Analysis is intended to show Home Health Agencies (HHA) how Medicare fee-for-service (FFS) payments would change from CY 2024 to CY 2025, based on the policies set forth in the CY 2025 HH PPS proposed rule.

### **CY 2024 HH Proposed Rule Changes Modeled in This Analysis**

- Marketbasket Update: 3.0% marketbasket increase to account for service cost inflation.
- Affordable Care Act (ACA)-Mandated Productivity Adjustment: -0.5 percentage point productivity adjustment, as established under the ACA.
- Permanent Behavior Assumption Adjustment: 4.067% adjustment to account for the difference in actual behavioral patterns compared to previously assumed behavioral patterns for CYs 2020-2022. This is not applied to claims subject to per diem payments.
- Case-Mix Budget Neutrality: +0.35% budget neutrality adjustment due to case-mix weight recalibration.
- Wage Index Budget and Labor-Related Share Neutrality Adjustments: The wage index and labor-related share budget neutrality factors are proposed to be -0.15% for the 30-day standard amount and -0.09% for per-visit rates. This also includes the budget neutrality adjustment for the 5% stop loss cap.
- Wage Index and Labor-Related Share: Updated wage index values are based on the FFY 2025 IPPS proposed rule wage indexes; excluding occupational mix, rural floor, reclassifications, or outmigration adjustments. This includes the 5% stop loss for eligible providers whose CY 2025 wage index would have been less than 95% of their CY 2024 wage index.

- All Other Adjustments: Adjustments based on impacts found in the CY 2025 HH Proposed Rule Outcome and Assessment Information Set (OASIS) Limited Data Set (LDS) including, but not limited to, changes in case-mix weights and any adjustments for claims using a wage index that differs from the HH provider's wage index.
- Value-Based Purchasing (VBP) Program Adjustment: Adjustment due to estimated HH Value-Based Purchasing program performance for eligible providers.

This analysis utilizes the CY 2025 HH Proposed Rule OASIS LDS, which is based on CY 2023 claims data and does not estimate the impact of HHA level changes due to volume or case-mix.

The values shown in the impact table do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2032. The estimated sequestration reduction applicable to HH PPS-specific payment has been calculated separately and is provided below the impact table.

In the Patient-Driven Groupings Model (PDGM) breakout, 30-day periods are compared using CY 2023 claims data to estimate the change in PDGM payments from CY 2024 to CY 2025. Payments and volumes are calculated using the CY 2025 HH Proposed Rule PDGM OASIS LDS and are broken out into classification groups with comorbidity adjustments being rolled together (denoted by an 'x' in the Home Health Resource Group [HHRG] code). This page also includes controls which allow for filtering by specific payment categories. Payment amounts include outliers. Providers and groupings with volumes less than 11 are redacted due to CMS privacy rules.

CMS provides an HH PDGM Grouper Tool as well as other resources to assist HHAs on their website: <https://www.cms.gov/Center/Provider-Type/Home-Health-Agency-HHA-Center.html>

## **Data Sources**

Estimated CY 2024 and CY 2025 HH payments are derived from the CY 2025 HH Proposed Rule OASIS LDS which contains CY 2023 PDGM claims data. Wage indexes, labor shares, and standard payment rates used in this analysis are from the CY 2025 HH PPS proposed rule and the CY 2024 HH PPS final rule.

VBP adjustment factors are estimated using 3Q2023 (baseline period) and 1Q2024 (performance period) quality data from Care Compare. Home Health Consumer Assessment of Healthcare Providers and Systems (HHCAHPS) survey-based and OASIS-based performance data are from October 1, 2022-September 30, 2023, and claims-based performance data are from January 1, 2022-December 31, 2022. All baseline period data reflects data from January 1, 2022-December 31, 2022, which matches the baseline period adopted by CMS. Total Normalized Composite (TNC) Self Care and TNC Change in Mobility/TNC Mobility are not included in the VBP estimate due to data unavailability.

## **Methods**

The dollar impact of each component change has been calculated by first estimating CY 2024 HH payments from the CY 2025 HH Proposed Rule PDGM OASIS LDS, as described below.

For each HH payment change component analyzed, the percent change for CY 2024 to CY 2025 is calculated and applied to estimated CY 2024 payments. These impact percentages are applied sequentially in order to capture the compounded dollar impacts. For example, the percent change due to the market basket update is applied to total CY 2024 payments. Then, the percent change resulting from the ACA-mandated productivity adjustment. This method continues for the remaining changes, creating a

compounded effect. The difference between the results after each layered component is the impact of that component.

*This analysis does not include estimated payments for Medicare Advantage patients or any modifications in FFS payments as a result of HH participation in new payment models being tested under Medicare demonstration/pilot programs. Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.*