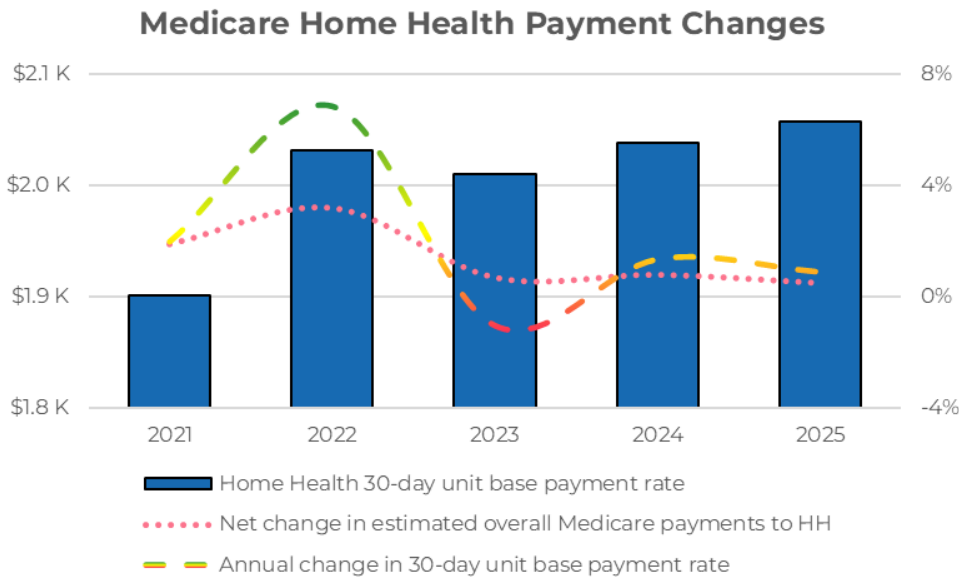


November 3, 2024

## [AMED, EHAB, PNTG]: Final CY25 Medicare Home Health Rates In-Line and Foreshadow Future CMS Rate Pressures

**Key Takeaways:** Changes to Medicare **home health** payments live up to expectations of a minimal increase, but with future negative adjustments following CMS's release of its CY25 final rule Friday. As we [wrote](#) in mid-October, the rule is likely to fuel an unsuccessful legislative effort for relief and a revival of industry litigation, which we give toss-up odds of success. We are dubious that next week's election will materially change the Medicare rate dynamic, but we see implications for **home care** more broadly.



Source: CMS, Capitol Policy Partners

## Main Components of Final CY25 Medicare Home Health Rule

- Overall Estimate for Aggregate Medicare Home Health Payments in CY25.** CMS estimated that changes in the final rule would slightly increase total Medicare home health spending by \$85M (0.5%) for CY25 – an improvement over the proposal's 1.7% reduction – with the national standardized 30-day base payment of \$2,057 vs. CY24's \$2,038. It calculated that freestanding proprietary agencies would see a slightly higher net increase of 0.7%.
- CY25 Inflationary Update.** CMS finalized a net 2.7% inflationary update to home health rates, which inched higher from the proposed 2.5%. This reflects the statutory formula of the home health market basket (3.2%) minus a productivity adjustment (0.5%). Industry has long complained that these updates fail to keep up with labor, operational, and medical inflation.

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**Amedisys Inc (AMED)**

Price:	\$95.49
52-Week High:	\$98.95
52-Week Low:	\$89.55

**Enhabit Inc. (EHAB)**

Price:	\$7.26
52-Week High:	\$11.74
52-Week Low:	\$6.85

**Pennant Group Inc (PNTG)**

Price:	\$32.49
52-Week High:	\$37.13
52-Week Low:	\$11.06

**Aveanna Healthcare Holdings Inc (AVAH)**

Price:	\$4.59
52-Week High:	\$5.95
52-Week Low:	\$1.38

**BrightSpring Health Services, Inc. Common Stock (BTSG)**

Price:	\$17.25
52-Week High:	\$17.54
52-Week Low:	\$7.85

**UnitedHealth Group Incorporated (UNH)**

Price:	\$567.53
52-Week High:	\$608.63
52-Week Low:	\$436.38

**Humana Inc (HUM)**

Price:	\$260.86
52-Week High:	\$527.18
52-Week Low:	\$213.31

**Permanent Prospective Adjustment.** Reasserting its previously-finalized budget neutrality methodology, which industry has challenged in course, CMS calculated that it would need to apply a 3.95% cut to the 30-day base payment to fully offset the anticipated growth in future aggregate spending and to right-size the base rate. However, as in past years, it opted not to fully implement this negative adjustment. Instead, using its “time and manner” statutory authority, CMS halved the cut to 1.975% to minimize disruption to beneficiaries and provider hardship. CMS did not indicate when the remainder will be applied, but we assume CY26, along with any additional reductions to reflect the difference between actual and assumed Medicare spending derived from home health agency behaviors.

- **Timing of Temporary Adjustment to the Base Rate.** CMS tallied overpayments from 2020-2023 at \$4.461B but left open the timing and manner for future temporary adjustments to the 30-day base rate, though we assume the reconciliation will be phased-in over time rather than all at once.

As noted, we doubt Tuesday’s election will materially change the outlook for Medicare home health payments, since neither candidate has highlighted the issue. However, either Trump or Harris could facilitate a debate about home care more generally.

- **Trump Victory.** We think his CMS would be inclined to heavily narrow – if not withdraw – a Medicaid policy that raises future cost, margin, and staffing fears for these same providers when offering unskilled home health and personal care. A GOP-controlled House and Senate would likely legislate a full rollback or delay, given current GOP efforts. Recall that CMS finalized a policy earlier this year to require, in six years, states to ensure at least 80% of Medicaid payments for homemaker, home health aide, and personal care services be spent on compensating direct care workers, rather than administrative overhead or profit. Separately, Trump suggested, without much detail, that Congress enact a new federal tax credit for family caregivers providing home care services. At this point, however, we take the under on this policy being enacted.

**Harris Victory.** Harris has proposed a Medicare benefit expansion to provide home care, but we remain [skeptical](#) of enactment, even in the unlikely event of a Democratic sweep. At best, her CMS could this goal via a limited demonstration project or assert firmer details on the already-allowed supplemental benefits (including personal home care services) delivered by Medicare Advantage insurers. Regarding the above-mentioned Medicaid policy, we are dubious of revisions under Harris given that it does not take effect for another six years.

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