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January 17, 2025

MedPAC Provider Recs Likely to Be Ignored in Favor of Savings Targets Like Site Neutrality, Medicaid, Rule Repeals

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We doubt Medicare Payment Advisory Commission's (MedPAC) FY/CY26 Medicare payment recommendations for **home health agencies, inpatient rehab facilities, skilled nursing facilities, hospices, dialysis centers, hospitals,** and **physician offices**, which were voted on Thursday in nearly unanimous fashion and listed below, will gain much traction in Congress or at CMS, except for the occasional citation as justification for a policy already under consideration. Instead, other Medicare targets like ambulatory site neutrality affecting **hospital outpatient departments (HOPDs), ambulatory surgery centers (ASCs),** and physicians; **Medicaid** structural changes; and regulatory repeals (i.e. **nursing home** minimum staffing rule and **home care** regulation) are likely to be eyed for reining in "unnecessary" spending and lowering the price-tag of reconciliation or other bills.

Provider type	MedPAC recommendation for FY/CY26	Comparison to current law	Comparison to prior year's recommendation	MedPAC's projected Medicare margin 2025 (vs. 2024)
Home health agencies (HHA)	Cut Medicare rates by 7%	Lower	In-line	19% (18%)
Inpatient rehab facilities (IRF)	Cut Medicare rates by 7%	Lower	Worse	16% (14%)
Skilled nursing facilities (SNFs)	Cut Medicare rates by 3%	Lower	In-line	23% (16%)
Hospices	Freeze Medicare rates	Lower	In-line	8% (9%)
Dialysis centers	Increase Medicare rates in-line with current law	In-line	Better	0% (0%)
Hospitals	Increase Medicare rates an additional 1% on top of current law's formula	Higher	Slightly worse	-13% (-8%)
Hospitals	Redistribute Medicare disproportionate share hospital and uncompensated care payments to a safety-net index that distributes an additional $4B to safety-net hospitals	Higher	In-line	Not applicable
Physicians	Increase Medicare rates by the Medicare Economic Index MINUS 1%	Higher	Generally in-line	Not applicable
Physicians	Apply non-budget neutral add-on of 15% for primary care physicians and 5% for other physicians caring for low-income Medicare beneficiaries (estimated avg. increase of 1.7%)	Higher	In-line	Not applicable

Source: MedPAC, Capitol Policy Partners

HCA Holdings Inc (HCA)

Price:	$309.44
52-Week High:	$417.14
52-Week Low:	$276.50

Tenet Healthcare Corporation (THC)

Price:	$132.77
52-Week High:	$171.20
52-Week Low:	$78.03

Surgery Partners Inc (SGRY)

Ardent Health Partners, Inc. (ARDT)

Price:	$13.80
52-Week High:	$20.72
52-Week Low:	$13.68

The Ensign Group Inc (ENSG)

Price:	$136.33
52-Week High:	$158.45
52-Week Low:	$110.71

Sabra Healthcare REIT Inc (SBRA)

Addus HomeCare Corporation (ADUS)

Price:	$133.32
52-Week High:	$136.12
52-Week Low:	$85.94

Amedisys Inc (AMED)

Price:	$91.98
52-Week High:	$98.95
52-Week Low:	$82.15

Encompass Health Corp (EHC)

Price:	$94.42
52-Week High:	$104.55
52-Week Low:	$67.94

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As mentioned above, Congress, the Trump administration and DOGE will be on the hunt to rein in "unnecessary" spending and find savings to offset the reconciliation and/or spending bills. While MedPAC's views would seem to fit into that rubric since it identifies over-generous Medicare payments or Medicare inefficiencies in need of change, we have not seen any signs the commission's recommendations will be heeded this year. As such, we think these final FY/CY26 proposals will largely be shelved.

Instead, the more likely legislative savings, which some leaders have already signaled interest, include:

- A limited group of Medicare changes like 1) Medicare ambulatory site neutrality that would lower payments to HOPDs, ASCs, and physicians at the rate where a procedure is most commonly performed, though the most likely version is more limited in scope and partially reinvests some savings in rural and safety net hospitals; and 2) an extension of the 2% Medicare sequestration cut that currently runs through 2032. Less likely for serious consideration this year appear Medicare Advantage cuts, Medicare unified cost-sharing, and reductions to Medicare allowable bad debt levels, etc., recycled ideas from past CBO's deficit reduction option reports.

- Medicaid savings ideas (work requirements, federal match changes, block-grant/per-capita caps, provider tax restrictions, etc.), like we laid out previously here. We doubt Congress will end up tapping the entirety of these suggested changes, especially in those areas with the largest savings, due to the likely opposition from states, insurers, hospitals, patients, and even GOP members. This debate will play out over several months and at this point, we estimate work requirements, lowering of the federal match floor, and reduction to state provider taxes seem the most likely. Per capita caps and block grants have some key advocates, but level of support depends on the details.

- Repeal of the nursing home minimum staffing rule that affects both Medicaid and Medicare and phases in over 3-5 years, depending on the locality of the long-term care facility, nurse staffing minimums. Republicans have long opposed this Biden administration policy as overly burdensome, tone-deaf to the local needs of facilities and patients, arbitrary and outdated.

- Repeal of the Medicaid home care regulation that requires in six years' time, 80% of state Medicaid payments to be used to compensate direct care workers at home care agencies performing personal care, home health aide and caregiver services. Republicans and states have opposed this Biden administration policy as burdensome, unworkable, and unlikely to guarantee that there will be sufficient home care agencies to fulfill patients' needs.

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