CHAMBER HILL

INSIGHTS

Highlights from December 2025 MedPAC Meeting

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On December 4 and 5, 2025, the Medicare Payment Advisory Commission (MedPAC) met to discuss recommendations for the March 2026 Report to Congress. Many of the sessions during this two-day meeting focused on evaluating payment rates for physicians, inpatient services, outpatient services, home health services, and services provided in institutions such as skilled nursing facilities (SNFs). There was also discussion about the quality of care Medicare beneficiaries receive across different settings, including hospitals, outpatient settings, other facilities, and at home.

PHYSICIAN AND OTHER HEALTH PROFESSIONAL SERVICES RATES

MedPAC staff offered a comprehensive view of current spending and service use under the Medicare Physician Fee Schedule (PFS), followed by a discussion of access-to-care and quality-of-care metrics. There was a change in the provider mix, with more advanced practice nurses (APRNs) and physician associates (PAs) providing care. MedPAC staff found that Medicare Economic Index (MEI) growth outpaced PFS updates, and suggested that increasing compensation rates is not necessary to maintain wide access to care. The Chair's draft recommendation is for Congress to increase payment rates by 0.5% more than current law, resulting in a 1.25% increase for advanced alternative payment model (A-APM) clinicians and a 0.75% increase for other clinicians.

The Commissioners expressed widespread support for the Chair's recommendation. One Commissioner was unsupportive, indicating that, due to inflation, the proposed increase in payment would result in a net decrease of 2.2%. A few other Commissioners acknowledged this point but felt that increasing the rate more would lead to ballooning costs. There was sentiment that the reimbursement policy needs an overhaul, as the current system is squeezing providers and not benefiting either providers or patients.

Some Commissioners suggested that staff begin taking a closer look at the effects of concierge care and at how to quantify its use. There was also strong support for crafting new survey questions to measure quality of care, as the Merit-based Incentive Payment System (MIPS) is flawed. One Commissioner also noted that comparison data between private insurance options and Medicare is helpful, but if the comparison group is worsening, that does not automatically mean Medicare access and quality are improving.

HOSPITAL INPATIENT AND OUTPATIENT SERVICE RATES

MedPAC staff found hospital supply and availability were relatively steady for fiscal year 2024 (FY24), with Medicare inpatient stays and outpatient services increasing in 2024. Hospital margins increased slightly

but remained low. Relatively efficient hospitals' margins also increased from -2% to -1% in 2024. MedPAC staff also said that the Medicare Safety-Net Index (MSNI) remained a better predictor of hospitals' all-payer operating margins than other metrics. The Chair's draft recommendation for 2027 payments is to update the 2026 Medicare base payment rates by the amount specified in current law, and to implement MSNI as described in the March 2023 report, adding $1 billion to the MSNI pool.

There was general support for the recommendations, with many Commissioners specifically mentioning strong support for the MSNI contribution. Two Commissioners expressed reservations about supporting the recommendation because they wanted separate Inpatient Prospective Payment System (IPPS) and Outpatient Prospective Payment System (OPPS) measures and recommendations.

The Commissioners were very interested in the efficient hospital model and in how it has been previously validated. There was also general interest in how the model is used; however, the Chair pushed for the committee to remain on the topic of recommendations and suggested revisiting the conversation at a later date. A few Commissioners asked how $1 billion was determined as the amount to contribute. The staff and the Chair clarified that it was about 0.5% of a rate increase and that additional information on the expected effects of the contribution would be provided.

POST ACUTE CARE: TRENDS AND KEY ISSUES

This presentation was suggested to evaluate, holistically, post-acute care facilities' use and payment. The differences in eligibility requirements, benefits, and cost-sharing requirements make it difficult to conduct a one-to-one comparison of quality outcomes, but preliminary results indicate possible inefficient care. There are plans for future work to evaluate the new case-mix systems, monitor the TEAM alternative payment model, compare Medicare Advantage and fee-for-service (FFS) use of post-acute care, and examine Medicare Advantage's impact on the financial performance of SNFs and inpatient rehabilitation facilities (IRFs).

The largest discussion thread was the desire for more data to support future recommendations. Measures such as patient experiences and outcomes, as well as how providers select facilities, were among the suggestions. There was discussion on the 3-midnight rule and the inclusion of observation status for post-acute care facilities. MedPAC previously recommended that observation be included, but there have been no further changes. Another large topic of commentary was understanding geographic locations of each type of post-acute care facility and how location may influence patient placement.

While the presentation stated that there are no guidelines for patient placement, one Commissioner responded that the rehabilitative specialties do have guidelines, along with their clinical judgement, for evaluating patients. This led to the suggestion that these guidelines be collected and examined to understand how they are used, and that the reports be reformatted as needed.

SKILLED NURSING FACILITIES RATES

The MedPAC presentation on SNFs suggested that SNF access has remained stable for Medicare beneficiaries, as the number of SNFs decreased while occupancy rates increased. Quality measures were also noted as being stable, but there are gaps in quality data since patient experience data is not uniformly collected. Margins for freestanding SNFs were high in 2024, averaging 24.4%. The Chair's draft recommendation for 2027 rates is to reduce 2026 Medicare base payment rates for SNFs by 4%. The expected implications are a decrease in spending relative to the current law, but no adverse effect on access to care.

The design of nursing home star ratings was evaluated, and an alternative approach was proposed that would equally weight each domain. The idea is that it would increase the weight of the staffing rating. It was also suggested that the change in approach could provide a more complete picture of quality and compliance for SNFs.

There was broad support for the recommendation, with some saying that it is a conservative reduction in payment due to the high margins SNFs experience. There was commentary on ways to more accurately reflect SNF star ratings by changing domain weights, with some Commissioners suggesting a higher staffing weighting and others arguing that the other domains are equally necessary. It was also suggested that CMS overhaul the measures used to evaluate quality and compliance. More long-term thinking about paying for outcomes and care was raised as an avenue for the commission to explore.

HOME HEALTH CARE SERVICES RATES

MedPAC staff provided an overview of home health care services and spending, showing that access to care has remained adequate. They also highlighted that the overall use of home health services has declined by 1%, but Los Angeles, California, has seen rapid growth in the area. This has led to a usage rate of about twice the national average and has been accompanied by a rapid rise in costs. While some tools have been used to address program concerns, use remains high. Quality of care has also remained stable, and home health margins have remained high, averaging 21.2%. The Chair's draft recommendation for 2027 is for Congress to reduce the 2026 Medicare base payment rate for home health services by 7%. The expected implications would be to decrease spending with no adverse effect on access to care.

A few Commissioners asked MedPAC staff whether what was being seen in California represented the start of a larger trend and requested a closer look at the differences in California's usage rates. There was interest in whether the higher home health usage was offset by lower usage of other post-acute care settings, such as SNFs and IRFs. One Commissioner, who practices in Los Angeles County, offered some commentary he believed could explain the differences. In his opinion, low property tax rates encourage older populations to age in place and choose home health services over other types of care. Another

possibility is the availability of remote home monitoring equipment, which makes it easier for patients and providers to feel comfortable with home health programs. The Commissioner encouraged MedPAC staff to examine discharge-to-home rates in Los Angeles County compared to the rest of the country to understand if the high usage of home health services results in lower emergency department readmission rates.

Other discussion topics revealed that Medicare FFS is the preferred payer for home health services, above both Medicare Advantage and private health insurance. A better understanding of the payer mix is a topic that multiple Commissioners expressed interest in revising. Other data points that future work could examine include utilization rates, especially comparisons between rural and urban communities, as well as utilization by living status.

Overall, there was broad support for the Chair's draft recommendation. The only hesitation was why a 7% rate cut was chosen over similar rates, especially when compared with other draft recommendations. The Chair explained that the Commission is trying to preserve access and quality while signaling the feeling that rates need to be lowered. Some long-term planning to examine whether a single large rate cut or a series of smaller rate cuts over a longer period was preferred was suggested.

We trust you found this summary useful. Please reach out to us with any questions.