

**Medicare Unit Cost Increases
Reported as of January 2025**

The tables below show Medicare Fee-for-Service (FFS) unit cost increases by service category, including both actual results and estimated increases.

The estimated increases represent the Office of the Actuary’s current estimates of such values. The actual results for the estimated increases will be finalized later in 2025 and may be different from the estimates below.

These unit cost increases are provided to give actuaries, who prepare Medicare Advantage bids, information about Medicare FFS payments by service category. Consideration should be given to the following information:

- These unit cost increases are based on current law as of September 1, 2024.
- The increases exclude the effects of sequestration.
- Legislated adjustments include multifactor productivity and other adjustments required by the Affordable Care Act.
- These unit cost increases reflect increases (or decreases) in the applicable market basket or fee schedule, as implemented on the specified effective date; they do not include assumptions for utilization, case-mix, enrollment, or other payment changes.
- In developing bid assumptions, certifying actuaries must consider other influences (such as, legislation, selection, and price proxies) that may affect these unit cost increases.

Table 1 Medicare FFS Unit Cost Increases – Inpatient Hospital and Skilled Nursing Facility

Service Category	Medicare FFS Unit Cost Increases				Comments
	Actual Change Effective 10/1/2023	Actual Change Effective 10/1/2024	Estimated Change Effective 10/1/2025	Estimated Change Effective 10/1/2026	
Inpatient Hospital	3.1%	2.9%	2.8%	3.0%	—
Market basket	3.3%	3.4%	3.4%	3.5%	—
Documentation & coding	0.0%	0.0%	0.0%	0.0%	—
Legislated adjustments	-0.2%	-0.5%	-0.6%	-0.5%	Productivity.
Skilled Nursing Facility	4.0%	4.2%	3.4%	3.0%	—
Market basket	3.0%	3.0%	3.4%	3.5%	—
Per CMS regulations	3.6%	1.7%	0.6%	—	Market basket forecast error correction (not yet known for fiscal year 2027).
Per CMS regulations	-2.3%	—	—	—	Parity adjustment in 2024.
Legislated adjustments	-0.2%	-0.5%	-0.6%	-0.5%	Productivity.

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Table 2 Medicare FFS Unit Cost Increases – Home Health Agency and Other Medicare Part B Services

Service Category	Medicare FFS Unit Cost Increases			Comments
	Actual Change Effective 1/1/2024	Actual Change Effective 1/1/2025	Estimated Change Effective 1/1/2026	
Home Health Agency	0.3%	-0.2%	2.7%	Changes apply both to Medicare Part A and Part B services.
Market basket	3.3%	3.1%	3.3%	—
Per CMS regulations	-2.6%	-2.7%	—	Permanent behavior adj. in 2024 and 2025.
Legislated adjustments	-0.3%	-0.5%	-0.6%	Productivity.
Outpatient Hospital	3.1%	2.9%	2.8%	—
Market basket	3.3%	3.4%	3.4%	—
Legislated adjustments	-0.2%	-0.5%	-0.6%	Productivity.
Physician	0.1%	-2.5%	0.4%	—
Laboratory Fee Schedule	0.0%	0.0%	0.0%	Per section 216 of PAMA ¹ , changes effective 1/1/2023, 1/1/2024, and 1/1/2025 are based on private payor rates.
Ambulance	2.6%	3.2%	1.5%	—
Consumer price index	3.0%	3.8%	2.0%	—
Legislated adjustments	-0.4%	-0.6%	-0.5%	Productivity.
DME²	2.6%	3.2%	1.5%	—
Consumer price index	3.0%	3.8%	2.0%	—
Legislated adjustments	-0.4%	-0.6%	-0.5%	Productivity.
Dialysis	2.1%	1.9%	2.2%	—
Market basket	2.4%	2.4%	2.8%	—
Legislated adjustments	-0.3%	-0.5%	-0.6%	Productivity.

¹ Protecting Access to Medicare Act of 2014

² Non-competitively bid services