



## Hospice Payments: FY 2025 Update

Related CR Release Date: August 2, 2024

MLN Matters Number: MM13707

Effective Date: October 1, 2024

Related Change Request (CR) Number: [CR 13707](#)

Implementation Date: October 7, 2024

Related CR Transmittal Number: R12759CP

Related CR Title: Update to Hospice Payment Rates, Hospice Cap, Hospice Wage Index and Hospice Pricer for Fiscal Year (FY) 2025

### Affected Providers

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- Hospices
- Other providers billing Medicare Administrative Contractors (MACs) for hospice services they provide to Medicare patients

### Action Needed

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Learn about updates effective October 1, 2024:

- Payment rates
- Inpatient and aggregate caps
- Wage index

### Background

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CMS updates payment rates for hospice care, the hospice cap amount, and the hospice wage index annually. We use the inpatient hospital market basket, adjusted for multifactor productivity (MFP) and other adjustments to get the hospice payment update percentage.

Division G, Section 308 of the [Consolidated Appropriations Act of 2024](#) (CAA, 2024) (Pub. L. 118–42) amended Section 1814(i)(2)(B) of the Social Security Act (the Act) and extended the provision that currently mandates the hospice cap be updated by the hospice payment update percentage (hospital market basket update percentage increase reduced by the MFP adjustment), rather than the Consumer Price Index for All Urban Consumers (CPI-U) for accounting years that end after September 30, 2016, and before October 1, 2033. Before the enactment of this provision, the hospice cap update was set to revert to the original methodology of updating the annual cap amount by the CPI-U starting on October 1, 2032.

We use the hospice wage index to adjust payment rates to show local differences in wages.

Section 407(b) of the [CAA, 2021](#) changed the payment reduction for failing to meet hospice quality reporting requirements from 2% to 4% starting with FY 2024 and reduce the market basket update by 4% for any hospice that doesn't comply with the quality data submission requirements for that FY.

### **FY 2025 Hospice Payment Rates**

We base the hospice payment update percentage for FY 2025 on the inpatient hospital market basket update of 3.4%. We then adjust the inpatient hospital market basket update of 3.4% with an MFP adjustment, which is an estimated 0.5% for FY 2025. This makes the hospice payment update for FY 2025 to be 2.9%. The final FY 2025 rates for hospices that don't submit the required quality data would be the FY 2025 hospice payment update of 2.9% minus 4%, which results in an update of -1.1%.

The FY 2025 hospice payment rates are effective for care and services you provide from October 1, 2024 - September 30, 2025. We discuss the hospice payment rates further in Section 30.2 of the Medicare Claims Processing Manual, [Chapter 11](#).

[Table 1 of CR 13707](#) shows your FY 2025 hospice payment rates if you submit the required quality data. [Table 2 of CR 13707](#) shows your payment rates if you don't submit the required quality data.

### **Hospice Inpatient and Aggregate Caps**

The 2025 cap year will be October 1, 2024 - September 30, 2025.

For the 2025 inpatient cap year, we'll calculate the percentage of all hospice days provided as inpatient days, including general inpatient care (GIP) and respite care, from October 1, 2024 - September 30, 2025.

The hospice cap amount for the 2025 cap year is equal to the FY 2024 cap amount, which was \$33,494.01, updated by the FY 2025 hospice payment update of 2.9%. This makes the FY 2025 cap amount \$34,465.34.

### **Hospice Wage Index**

The [FY 2023 hospice final rule](#) finalized the application of a permanent 5% cap on any decrease to a geographic area's wage index from its wage index in the prior year, regardless of the circumstances causing the decline starting in FY 2023. In other words, we finalized that a geographic area's wage index for FY 2023 and subsequent years wouldn't be less than 95% of its wage index calculated in the prior FY.

For FY 2025 as a transition helping reduce any significant negative impacts that hospices may experience because of the adoption of the revised Office of Management & Budget (OMB) areas, we'll calculate the permanent 5% cap on decreases on the county level and the core-based statistical area (CBSA) level, so that individual counties moving to a new area don't experience more than a 5% decrease in wage index from the previous FY.

Some counties that change OMB designations have a wage index value that's different than the

wage index value assigned to the other constituent counties that make up the CBSA or statewide rural area that they're moving into because of the application of the 5% cap.

Starting in FY 2025 for hospice claims processing, counties that have a different wage index value than the CBSA or rural area into which they're designated after the application of the 5% cap will use a wage index transition code to identify the county's appropriate wage index value for hospice claims. These special codes are 5 digits in length and begin with "50." The 50xxx wage index transition codes will only be used in specific counties; counties located in CBSAs and rural areas that don't correspond to a different transition wage index value will still use the CBSA number.

These counties are listed in [Table 3 of CR 13707](#). These special 50xxx codes are also in the last column of the [FY 2025 hospice wage index file](#).

We'll incorporate the revised payment rates and [wage index](#) in the Hospice Pricer and forwarded to your MAC.

### Hospice Labor Shares

The [FY 2022 hospice final rule](#) revised the labor shares used to wage-adjust hospice payments for each level of care. The revised labor share for:

- Routine home care is 66.00% and the corresponding non-labor share is 34.00%
- Continuous home care is 75.20% and the corresponding non-labor share is 24.80%
- Inpatient respite care is 61.00% and the corresponding non-labor share is 39.00%
- GIP care is 63.50% and the corresponding non-labor share is 36.50%

## More Information

We issued CR 13707 to your MAC as the official instruction for this change.

For more information, [find your MAC's website](#).

## Document History

Date of Change	Description
August 6, 2024	Initial article released.

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