



## Home Health Prospective Payment System: CY 2025 Rate Update

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**Related CR Title:** Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2025

### Affected Providers

- Home Health Agencies (HHAs)
- Other providers billing Medicare Administrative Contractors (MACs) for home health (HH) services provided to Medicare patients

### Action Needed

Make sure your billing staff is aware of updated payment rates for:

- 30-day period payments
- National per-visit amounts
- Disposable negative pressure wound devices
- Cost-per-unit payment amounts used for calculating outlier payments under the HH Prospective Payment System (PPS)

### Background

CMS updates the HH PPS annually, per requirements found at [Section 1895\(b\)\(3\)\(B\)](#) of the Social Security Act (the Act).

### Market Basket Update

For CY 2025, the HH market basket percentage increase is 3.2%, via Section 1895(b)(3)(B)(iii) of the Act. We reduce that increase by a productivity adjustment, as mandated by Section 3401 of the [Affordable Care Act](#) (Pub. L. 111–148). We estimate this reduction at 0.5 percentage points for CY 2025, making the final HH market basket update percentage 2.7%.

Section 1895(b)(3)(B)(v) of the Act requires a 2% decrease of the HH market basket update percentage for HHAs that don't submit required quality data required by the Secretary. Therefore, for CY 2025, the final HH market basket update percentage increase for these HHAs is 0.7%.

## National, Standardized 30-Day Period Payment

As described in the [CY 2025 HH PPS final rule](#), we implement a permanent payment adjustment to the national 30-day payment rate based on the impact of differences between assumed versus actual behavior change, to offset such increases or decreases in estimated aggregate expenditures. We're implementing a permanent behavior adjustment of -1.975% to prevent further overpayments, which makes the permanent behavior adjustment factor 0.98025.

We calculate the national, standardized 30-day period payment rate by applying:

- A permanent behavioral adjustment factor (0.98025)
- A case-mix weights recalibration budget neutrality factor (1.0039)
- A wage index budget neutrality factor (0.9988)
- The CY 2025 HH payment update percentage (2.7%)

We further adjust the CY 2025 national, standardized 30-day period payment rates by the individual period's case-mix weight and by the applicable wage index. [Tables 1 & 2](#) show the CY 2025 national 30-day period payment rates.

## National Per-Visit Rates

We calculate the national per-visit rates by starting with the CY 2024 national per-visit rate and applying the wage index budget neutrality factor (0.9989) to ensure budget neutrality after applying the CY 2025 wage index. We then apply the CY 2025 HH market basket update percentage increase (2.7%; 0.7% for HHAs that don't submit quality data). [Tables 3 & 4](#) show the national per-visit rates.

## Non-Routine Supply (NRS) Payments

NRS payment is part of the national, standardized 30-day period rate. We pay the fee schedule amount for DME provided as an HH service (as defined in [Section 1861\(m\)](#) of the Act), but we don't include it in the national, standardized 30-day period payment amount.

## Outlier Payments

We calculate outlier payments using the fixed dollar loss (FDL) ratio and the loss-sharing ratio. Total outlier payments can't exceed the 2.5% aggregate level (per Section 1895(b)(5)(A) of the Act). Historically, we used a loss-sharing ratio of 0.80, which preserves incentives for agencies to provide care efficiently for outlier cases. We pay 80% of the additional estimated costs above the outlier threshold amount. The CY 2025 FDL ratio is 0.35 to ensure total outlier payments don't exceed 2.5% of the total estimated payments under the HH PPS.

We finalized a policy in the CY 2019 HH PPS final rule with comment period ([83 FR 56521](#)) that maintains current methodology for paying high-cost outliers upon implementing the Patient-Driven Groupings Model (PDGM) starting in CY 2020. We calculate payment for high-cost outliers based on 30-day periods of care. The cost-per-unit rates used to calculate outlier payments are in [Table 5](#).

## HH PPS Wage Index

We finalized a permanent 5% cap on any decrease to a geographic area's wage index from its wage index in the prior year, regardless the circumstances causing the decline, starting in CY 2023 (CY 2023 HH PPS final rule). Therefore, for CY 2023 and subsequent years, a geographic area's wage index wouldn't be less than 95% of its wage index for the previous CY.

On July 21, 2023 ([Bulletin No. 23-01](#)), the Office of Management and Budget (OMB) established revised delineations for Core Based Statistical Areas (CBSAs). We're incorporating these revisions into the CY 2025 HH PPS wage index.

To help mitigate any significant negative impacts HHAs may experience due to the revised OMB delineations in CY 2025, we calculate the permanent 5% cap on decreases on the county level as well as the CBSA level. This means individual counties moving to a new delineation wouldn't experience more than a 5% decrease in wage index from the previous CY.

Based on how we calculate the 5% cap for counties experiencing an OMB designation, some CBSAs and statewide rural areas could have more than 1 wage index because constituent counties could have different wage index values due to the 5% decrease cap. For example, some counties that change OMB designations would have a wage index value different than that assigned to the other constituent counties in the CBSA or statewide rural area they're moving into because of the 5% decrease cap. However, we assign only 1 wage index value when we process HH claims. Therefore, HHAs serving patients in a county that receives the cap must use a number other than the CBSA or statewide rural area number to identify the county's appropriate wage index value for claims in CY 2025.

Starting in CY 2025, counties with different wage index values than the CBSA or rural area to which they're assigned after applying the 5% cap will use a wage index transition code. The wage index transition codes:

- Will be 5-digit codes starting with 50
- Will be used only 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.

We list the counties that require the transition code in CY 2025 in [Table 6](#). The 50xxx codes are also included in the [CY 2025 HH PPS wage index](#) file.

## Low-Utilization Payment Adjustment (LUPA) Add-On Factors

In the 2019 HH PPS final rule with comment period (83 FR 56440), we finalized our policy of continuing to multiply the per-visit payment amount for skilled nursing (SN), physical therapy (PT), or speech-language pathology (SLP) visits in LUPA periods as long as they occur as the only period of care or the initial 30-day period of care in a sequence of adjacent 30-day periods of care. We use the appropriate add-on factor (1.8451 for SN, 1.6700 for PT, and 1.6266 for SLP) to determine the LUPA add-on payment amount for 30-day periods of care under the PDGM.

To implement Division CC, Section 115 of the [Consolidated Appropriations Act](#) (CAA), 2021, we finalized changes to regulations found at [42 CFR 484.55\(a\)\(2\)](#) and [\(b\)\(3\)](#) to allow occupational therapists to conduct initial and comprehensive assessments for all Medicare patients under the HH benefit when the plan of care doesn't initially include SN care, but included occupational therapy (OT), PT, or SLP ([86 FR 62351](#)).

The CY 2022 HH PPS final rule (86 FR 62289) didn't have sufficient data regarding the average excess minutes for the first visit in LUPA periods when occupational therapists conducted the initial and comprehensive assessments. Therefore, we finalized a policy using the PT LUPA add-on factor of 1.6700 as a proxy.

In the CY 2025 HH PPS final rule, we finalized a proposal to update the LUPA add-on factors for SN, PT, and SLP; finalized the proposal to discontinue using the PT LUPA add-on factor as a proxy; and established a discrete OT LUPA add-on factor.

[Table 7](#) contains the updated LUPA add-on factors.

## Disposable Negative Pressure Wound Therapy Device (dNPWT)

Division FF, Section 4136 of the [CAA, 2023](#) (Pub. L. 117–328), mandates that as of CY 2024, separate payment amounts for an applicable dNPWT device would equal the supply price used to determine the relative value for the service under the Physician Fee Schedule (PFS). Under [Section 1848](#) of the Act and as of January 1, 2022, we update the separate payment by the specified adjustment described in subparagraph (B) for each year. Section 4136 of the CAA, 2023, also adds new [subparagraph 1834\(s\)\(3\)\(B\)](#), which requires the separate payment amount be adjusted by the percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) for the 12-month period ending with June of the preceding year, minus the productivity adjustment described in [Section 1886\(b\)\(3\)\(B\)\(xi\)\(II\)](#) for said year.

For 2025 and each subsequent year, the CAA, 2023, requires the separate payment amount be equal to the payment amount established for the device in the previous year, updated by the percent increase in the CPI-U for the 12-month period ending with June of the preceding year, minus the productivity adjustment described in Section 1886(b)(3)(B)(xi)(II).

The CPI-U for the 12-month period ending in June 2024 is 3%, and the corresponding productivity adjustment is 0.6%, which results in a final update of 2.4%. Therefore, the CY 2025 final payment amount for an applicable dNPWT device will be \$276.57, which is the CY 2024 rate of \$270.09 updated by the 2.4% CPI-U update percentage shown in [Table 8](#).

**Note:** For more information on dNPWT claims processing procedures, you should refer to [CR 13244](#).

## More Information

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We issued [CR 13838](#) to your MAC as the official instruction for this change. For more information, find your [MAC's website](#).

## Document History

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Date of Change	Description
November 8, 2024	Initial article released.

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