Administrator Program
Wednesday, November 19, 2025
10:45am-11:45am

M3. CY2026 Home Health Final Rule: A Financial Deep Dive

Presented by:
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Forvis Mazars, Home Care & Hospice

2026 Home Health Final Rule

A Financial Deep Dive

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	2020	2021	2022	2023	2024
Net Medicare rate change	1.3%	1.9%	3.2%	0.7%	0.8%
Actual inflation rate	1.4%	7.0%	6.5%	3.4%	2.9%
Nation					
Medicare patient mix	72%	69%	67%	65%	--
Overall margin	4.3%	5.3%	3.8%	4.4%	--
Texas					
Medicare patient mix	86%	81%	79%	70%	--
Overall margin	2.5%	4.1%	6.5%	4.5%	--

Source: Median Medicare HH cost report data for freestanding agencies, Bureau of Labor Statistics, & CMS Medicare HH payment rules

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Home Health Rule

A Financial Deep Dive

Payment Rule

VBP

KPIs

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Home Health Rule | A Financial Deep Dive

Payment Rule

Payment Rule

VBP

KPIs

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Home Health Rule | A Financial Deep Dive

Payment Update

6.4%

Estimated overall net payment ***decrease***

$***1.135 billion*** estimated aggregate ***reduction*** in Medicare payments

5 Source: 2026 Proposed home health Medicare payment rule

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Payment Update

6.8%

Estimated net payment decrease in West South Central Region

6 Source: 2026 Proposed home health Medicare payment rule

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Payment Update

	$ 2,038.13	National standardized 30-day period payment amount (2024)
x	0.9429	Case-mix weight (1AA11) (2024)
	$ 1,921.75	Case-mix adjusted amount
x	74.9%	Labor portion
	$ 1,439.39	Labor-adjusted amount
x	1.0026	Wage-index adjustment (Houston, TX) (2024)
	$ 1,443.13	Labor & wage-index adjusted portion
	$ 1,921.75	Case-mix adjusted amount
x	25.1%	Non-labor portion
	$ 482.36	Non-labor adjusted amount
	$ 1,925.49	Payment period amount (2024)

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Payment Update

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	$ 1,925.49	Payment period amount (2024)

All updated in 2026

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Payment Update

- 30-day payment period rate
- LUPA rates
- Case-mix weights
- Wage index adjustments

9 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

- 30-day payment period rate
- LUPA rates
- Case-mix weights
- Wage index adjustments

10 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

$2,057.35	4.059% ↓	0.51% ↑	0.19% ↑
2.4% ↑	5% ↓	$1,933.61	

11 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

$2,057.35	4.059% ↓	0.51% ↑	0.19% ↑
2.4% ↑	5% ↓	$1,933.61	

12 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

CONTROVERSY

4.059% ↓

- *Proposed* permanent adjustment

5% ↓

- *Proposed* temporary adjustment

9%

13 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

CONTROVERSY

4.059% ↓

- *Proposed* permanent adjustment
  - Based on CMS' assertion that the conversion from PPS to PDGM resulted in additional spending due to changes in behaviors of providers
  - Multiple permanent adjustments have been implemented to-date

14 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

CONTROVERSY

Claim Year	Actual Payment Rate Paid	Estimated Payment Rate that "Should" Have Paid	Total Permanent Adjustment Needed	Actual Permanent Adjustment Implemented
2020	$1,864.03	$1,742.52	-6.52%	0.000%
2021	$1,901.12	$1,751.90	-7.85%	-3.925%
2022	$2,031.64	$1,839.10	-5.78%	-2.890%
2023	$2,010.69	$1,873.17	-3.95%	-1.975%
2024	$2,038.13	$1,916.77	-4.059% Proposed for 2026	TBD
2025	TBD	TBD	TBD	TBD
2026	TBD	TBD	TBD	TBD

-8.79%

Permanent adjustments applied in past three years by CMS

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30-Day Payment Period Rate

CONTROVERSY

5% ↓

- *Proposed* temporary adjustment
  - Based on CMS' assertion that the conversion from PPS to PDGM resulted in additional spending due to changes in behaviors of providers
  - No adjustments implemented to-date
  - "Clawback"

16 Source: Proposed Final home health Medicare payment rule

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30-Day Payment Period Rate

CONTROVERSY

Claim Year	Dollar Amount
2020	-$873,073,121
2021	-$1,211,002,953
2022	-$1,405,447,290
2023	-$971,431,113
2024	-$840,149,468
2025	TBD
2026	TBD

-$5.3 Billion
Estimated accumulated temporary adjustments needed per CMS

Total HH Payments
(in billions)
2020 - $15.5
2021 - $16.6
2022 - $15.8
2023 - $15.6
2024 - $13.7

17 Source: 2026 Proposed home health Medicare payment rule

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30-Day Payment Period Rate

$2,057.35
Current 30-day period payment rate

4.059% ↓
Proposed permanent adjustment

0.51% ↑
Proposed case-mix weight recalibration

0.19% ↑
Proposed wage-index budget neutrality

2.4% ↑
Proposed inflation update

5% ↓
Proposed temporary adjustment

$1,933.61
Proposed 30-day period payment rate

18 Source: 2026 Proposed home health Medicare payment rule

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LUPA Rates

30-day payment period rate	**LUPA rates**
Case-mix weights	Wage index adjustments

19 Source: 2026 Proposed home health Medicare payment rule

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LUPA Rates

6.9%

2.4%

Proposed increase

	2025	2026
SN	$172.73	$176.95
PT	$188.79	$193.40
OT	$190.08	$194.72
SLP	$205.22	$210.23
MSW	$276.85	$283.61
HHA	$78.20	$80.11

20 Source: 2026 Proposed home health Medicare payment rule

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Case-Mix Weights

30-day payment period rate

LUPA rates

Case-mix weights

Wage index adjustments

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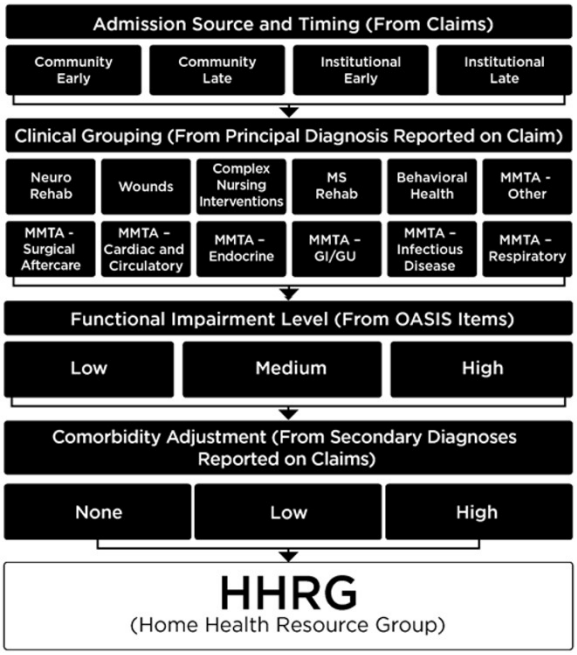

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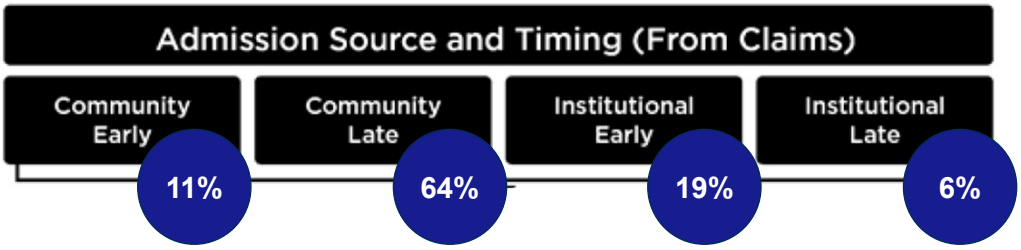
Case-Mix Weights



23 Source: 2024 claims data per 2026 proposed home health Medicare payment rule

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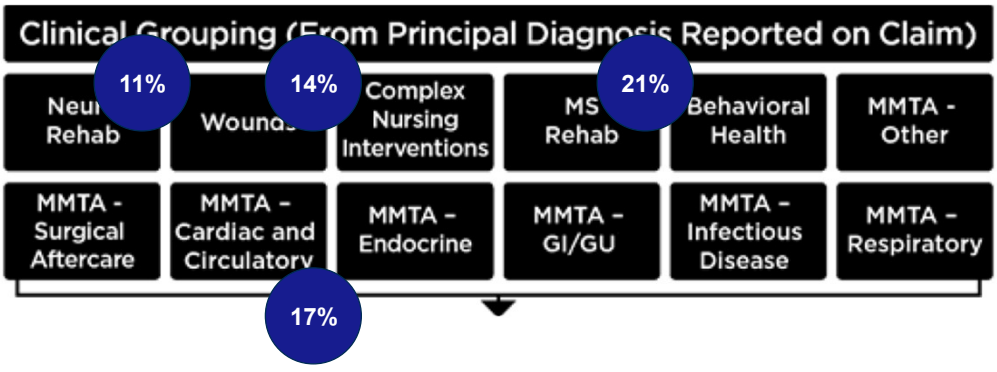
Case-Mix Weights



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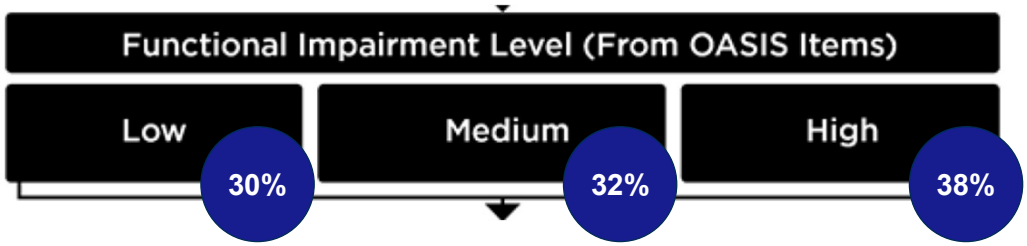
Case-Mix Weights



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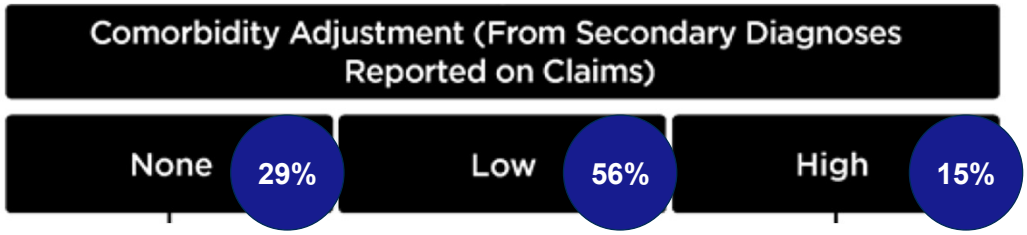
Case-Mix Weights



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Case-Mix Weights

- Recalibration
  - –0.5415 lowest value, up from 0.5241
  - –1.9592 highest value, up from 1.9166

27 Source: 2026 Proposed home health Medicare payment rule

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HIPPS Code	Admission Source & Timing	Clinical Group	Function Grouping	Co-morbidity Adjustment	% of 2024 Medicare 30-Day Payment Periods	2025 Case-Mix Weight	2026 Case-Mix Weight	% Change
3HC21	Late, Community	MMTA - Cardiac	High	Low	**2.6%**	0.8274	0.8306	0.4%
3HA21	Late, Community	MMTA – Cardiac	Low	Low	**2.6%**	0.6242	0.6250	0.1%
3EC21	Late, Community	MS Rehab	High	Low	**2.5%**	0.8989	0.8876	-1.3%
3HB21	Late, Community	MMTA – Cardiac	Medium	Low	**2.3%**	0.7107	0.7232	1.8%
3EA21	Late, Community	MS Rehab	Low	Low	**1.8%**	0.6683	0.6666	-0.3%
3EB21	Late, Community	MS Rehab	Medium	Low	**1.7%**	0.7511	0.7537	0.3%

Note: Represents five most frequently paid case-mix weights based on 2024 Medicare claims data, per CMS 2025 proposed payment rule data file.

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Wage Index Adjustments

30-day payment period rate

LUPA rates

Case-mix weights

Wage index adjustments

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Wage Index Adjustments

CBSA Code	Texas CBSA Name	2025 Wage Index Adjustment	2026 Wage Index Adjustment	% Change
11100	Amarillo	0.7943	0.8466	6.6%
12420	Austin-Round Rock-San Marcos	0.9880	0.9678	-2.0%
18580	Corpus Christi	0.9776	0.9287	-5.0%
19124	Dallas-Plano-Irving	0.9673	0.9676	0.0%
21340	El Paso	0.8257	0.8341	1.0%
23104	Fort Worth-Arlington-Grapevine	0.9558	0.9728	1.8%
26420	Houston-Pasadena-The Woodlands	1.0189	0.9763	-4.2%
29700	Laredo	0.7890	0.8142	3.2%
31180	Lubbock	0.8241	0.8626	4.7%
41700	San Antonio-New Braunfels	0.8532	0.8558	0.3%

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Wage Index Adjustments

CBSA Code	Texas CBSA Name	2025 Wage Index Adjusted Payment	2026 Wage Index Adjusted Payment	% Change Before Case-Mix Weight, Sequestration, & VBP
11100	Amarillo	$1,740	$1,711	-1.7%
12420	Austin-Round Rock-San Marcos	$2,039	$1,887	-7.4%
18580	Corpus Christi	$2,023	$1,830	-9.5%
19124	Dallas-Plano-Irving	$2,007	$1,887	-6.0%
21340	El Paso	$1,789	$1,693	-5.3%
23104	Fort Worth-Arlington-Grapevine	$1,989	$1,894	-4.8%
26420	Houston-Pasadena-The Woodlands	$2,086	$1,899	-9.0%
29700	Laredo	$1,732	$1,665	-3.9%
31180	Lubbock	$1,786	$1,735	-2.9%
41700	San Antonio-New Braunfels	$1,831	$1,725	-5.8%

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VBP

Payment Rule

VBP

KPIs

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VBP

6.8%

Estimated net payment decrease in West South Central Region

33 Source: 2026 Proposed home health Medicare payment rule

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+5%
Potential reward

-5%
Potential risk

$500,000 ~ $25,000
$1,000,000 ~ $50,000
$2,000,000 ~ $100,000

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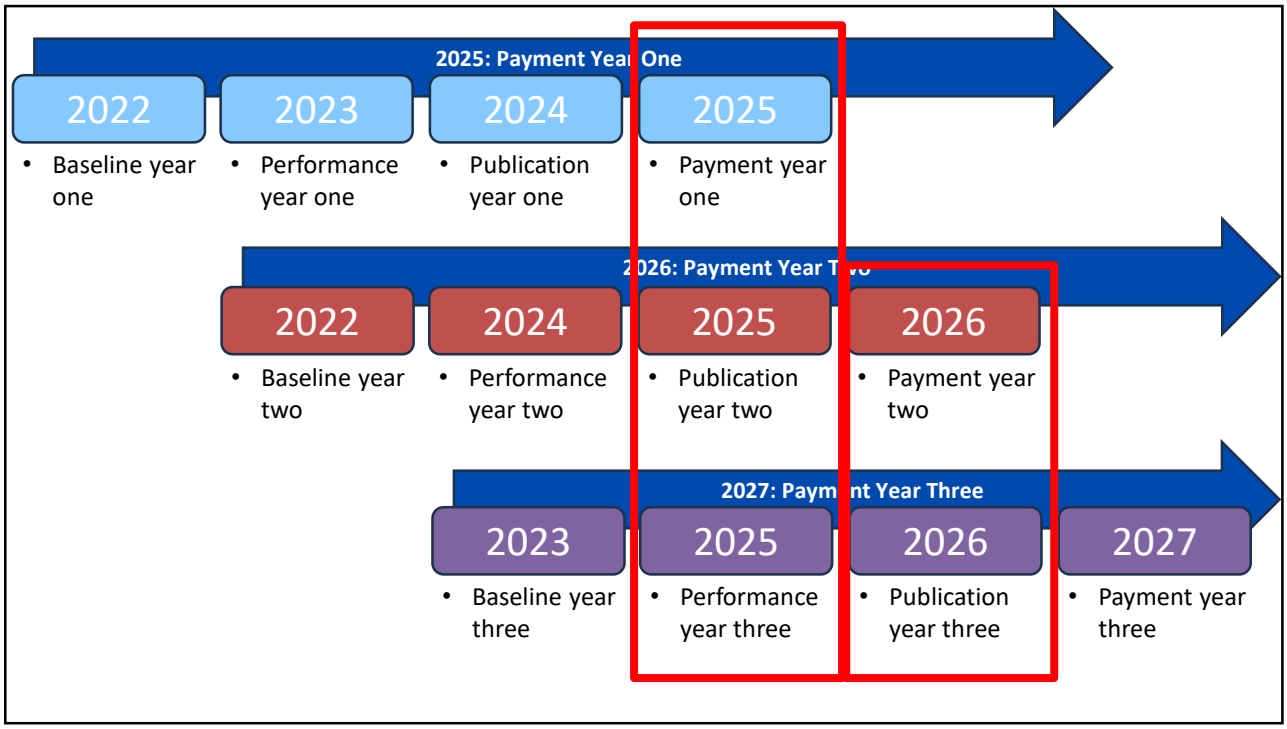

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VBP | Current Performance Measures

VBP Measure	2025 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights
OASIS-based measures		
Improvement in dyspnea	6.00%	8.57%
Improvement in management of oral medications	9.00%	12.86%
DC Function	20.00%	28.57%
Sum of OASIS-based measures	**35.00%**	**50.00%**

CMS Goal

Strengthen physical function

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VBP | Current Performance Measures

VBP Measure	2025 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights
Claim-based measures		
PPH	26.00%	37.14%
DTC-PAC	9.00%	12.86%
Sum of claim-based measures	**35.00%**	**50.00%**

CMS Goal

Address health issues before they require an emergency room visit

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VBP | Current Performance Measures

VBP Measure	2025 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights
CAHPS-based measures		
Care of patients	6.00%	--
Communication between providers & patients	6.00%	--
Specific care issues	6.00%	--
Overall rating of HH care	6.00%	--
Willingness to recommend	6.00%	--
Sum of CAHPS-based measures	**30.00%**	**0.00%**

CMS Goal

Improve patients' experience with their care

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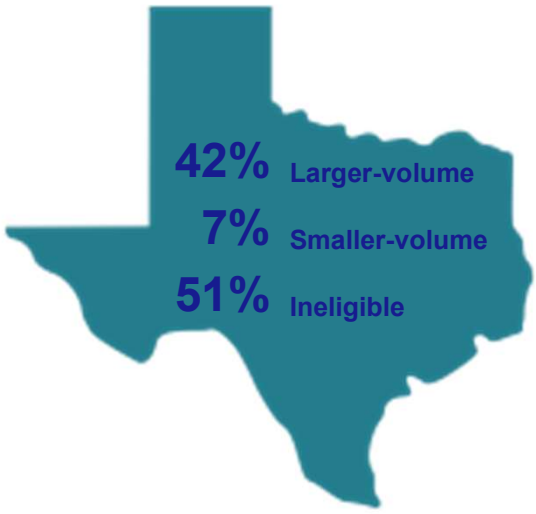
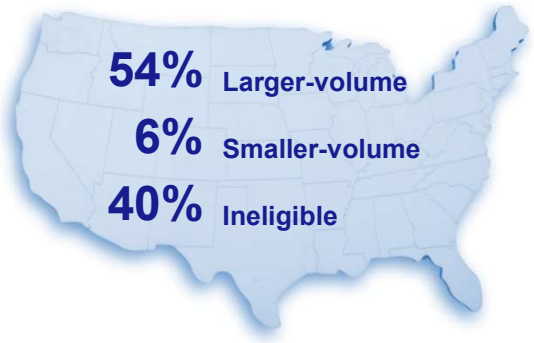
VBP | 2025 Payment Results





39 Source: CMS VBP results for performance year 2023

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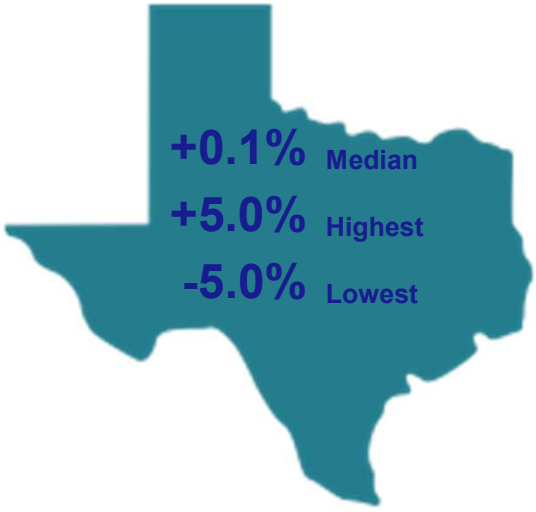
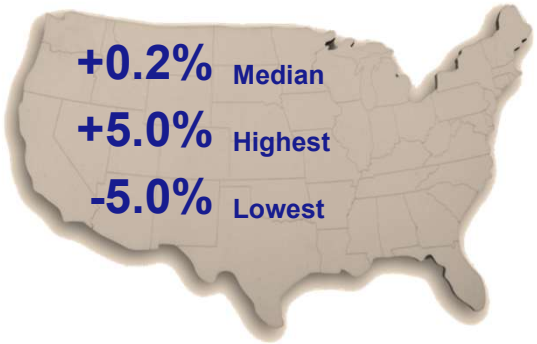
VBP | 2025 Payment Results





40 Source: CMS VBP results for performance year 2023, larger-volume cohort

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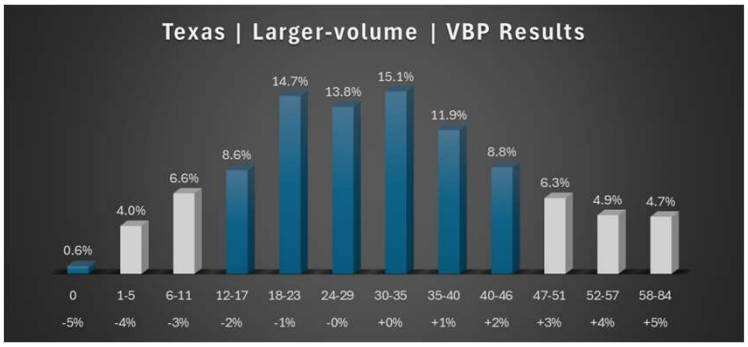

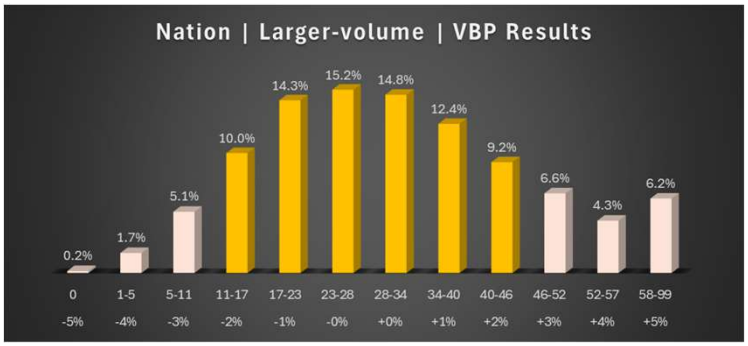

Source: CMS VBP results for performance year 2023, larger-volume cohort

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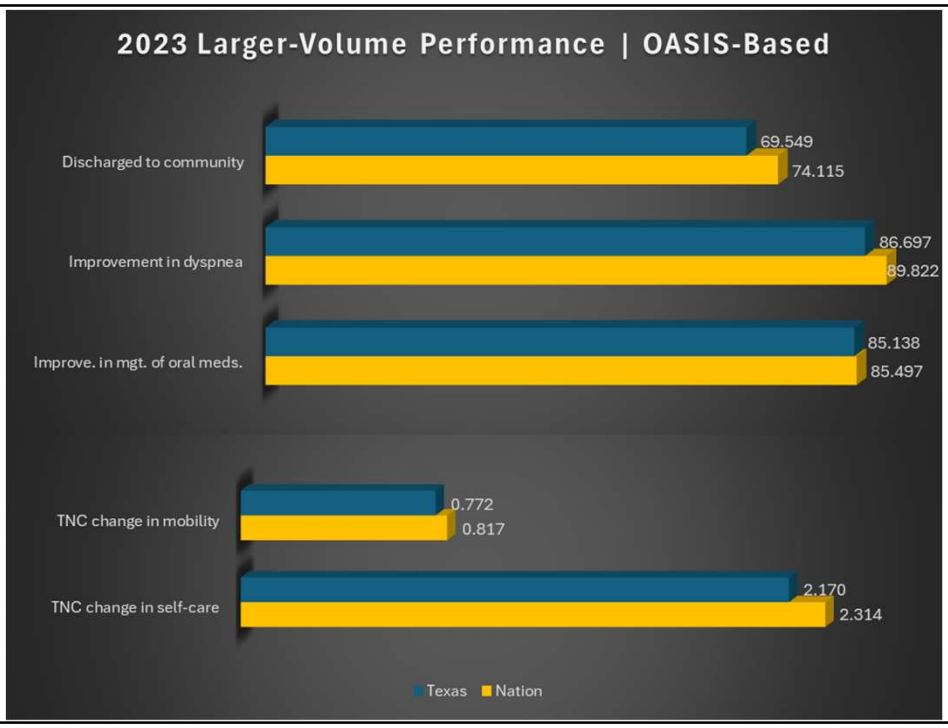

Source: CMS VBP median results for performance year 2023, larger-volume cohort

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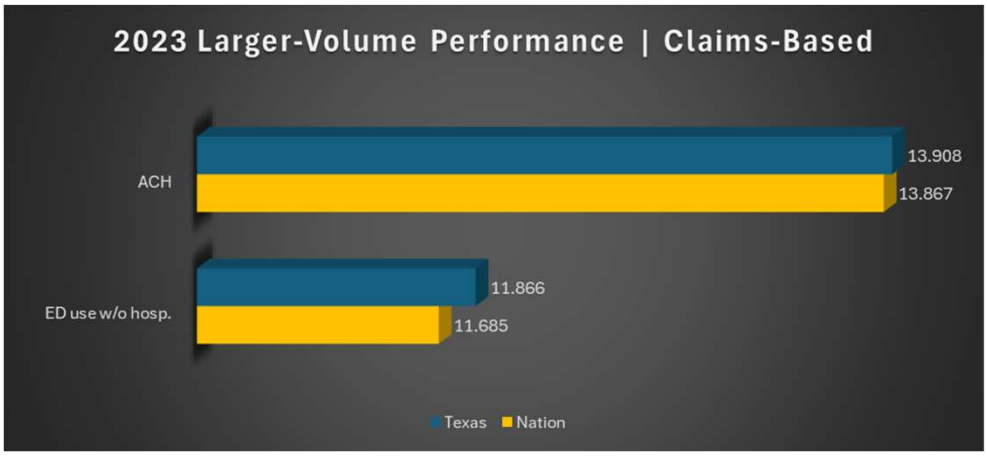

Source: CMS VBP median results for performance year 2023, larger-volume cohort

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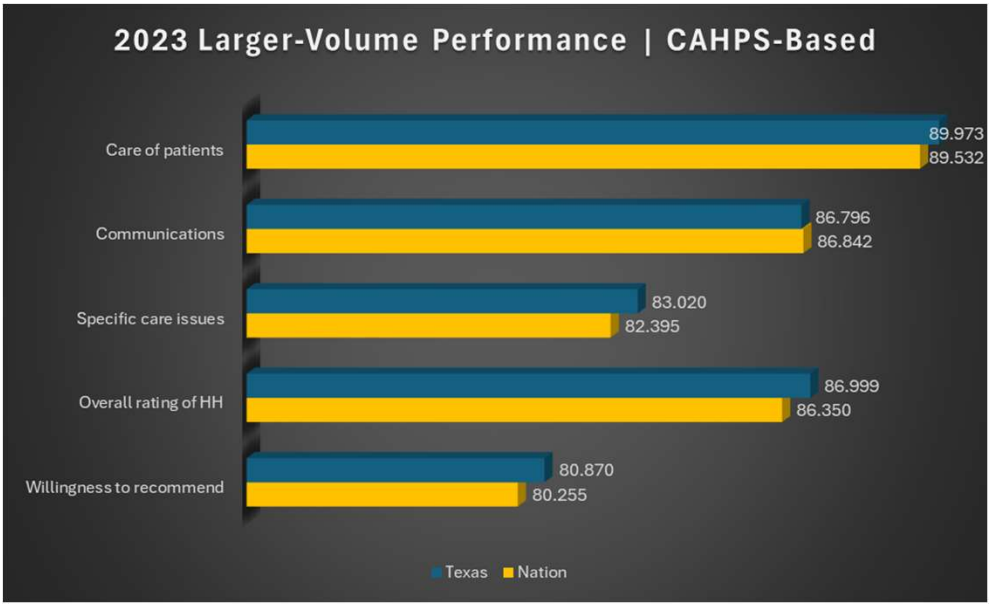

Source: CMS VBP median results for performance year 2023, larger-volume cohort

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VBP | 2026 Changes

- *Proposed* changes
  - Add three new OASIS-based measures to compliment the DC Function measure
    - Improvement in bathing
      - OASIS item M1830
    - Improvement in upper body dressing
      - OASIS item M1810
    - Improvement in lower body dressing
      - OASIS item M1820

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VBP | 2026 Changes

- Remove three CAHPS survey-based measures due to *proposed* changes in HHQRP measures
  - Care of patients
  - Communication between providers & patients
  - Specific care issues

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VBP | 2026 Changes

- Add one claims-based measure
  - MSPB-PAC
    - Measure added to HHQRP in 2017
    - Intended to incentivize providers to provide coordinated, high-quality, & cost-efficient care
      - Holds HHA accountable for Medicare payments for an episode of care
        - Includes 90-day episode periods
          - 60-day treatment period
          - 30-day services period
      - Use of measure will increase number of HHAs to be paid a VBP adjustment
        - Must have at least five VBP measures to qualify for a VBP adjustment

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VBP | 2026 Changes

Payment & value of care

How much Medicare spends on an episode of care at this agency, compared to Medicare spending across all agencies nationally

- *Higher (lower) ratios means that the agency spends more (less) on an episode of care than the Medicare national average*

1.15

National average: 1.00

Understanding costs improves transparency and can help patients and families assess a provider.

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VBP | 2026 Changes

VBP Measure	2025 Larger-Volume Cohort Measure Weights	*Proposed* 2026 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights	*Proposed* 2026 Smaller-Volume Cohort Measure Weights
Claim-based measures				
PPH	26.00%	15.00%	37.14%	18.75%
DTC-PAC	9.00%	15.00%	12.86%	18.75%
MSPB-PAC ~ *proposed* new	--	10.00%	--	12.50%
Sum of claim-based measures	**35.00%**	**40.00%**	**50.00%**	**50.00%**

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VBP | 2026 Changes

VBP Measure	2025 Larger-Volume Cohort Measure Weights	*Proposed* 2026 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights	*Proposed* 2026 Smaller-Volume Cohort Measure Weights
OASIS-based measures				
Improvement in dyspnea	6.00%	7.00%	8.57%	8.75%
Improvement in management of oral medications	9.00%	11.00%	12.86%	13.75%
DC Function	20.00%	15.00%	28.57%	18.75%
Improvement in bathing ~ *proposed* new	--	3.50%	--	4.38%
Improvement in upper body dressing ~ *proposed* new	--	1.75%	--	2.19%
Improvement in lower body dressing ~ *proposed* new	--	1.75%	--	2.19%
Sum of OASIS-based measures	**35.00%**	**40.00%**	**50.00%**	**50.00%**

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VBP | 2026 Changes

VBP Measure	2025 Larger-Volume Cohort Measure Weights	*Proposed* 2026 Larger-Volume Cohort Measure Weights	2025 Smaller-Volume Cohort Measure Weights	*Proposed* 2026 Smaller-Volume Cohort Measure Weights
CAHPS-based measures				
Care of patients	6.00%	*Proposed* to be removed	--	*Proposed* to be removed
Communication between providers & patients	6.00%	*Proposed* to be removed	--	*Proposed* to be removed
Specific care issues	6.00%	*Proposed* to be removed	--	*Proposed* to be removed
Overall rating of HH care	6.00%	10.00%	--	--
Willingness to recommend	6.00%	10.00%	--	--
Sum of CAHPS-based measures	**30.00%**	**20.00%**	**0.00%**	**0.00%**

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KPIs

Payment Rule

VBP

KPIs

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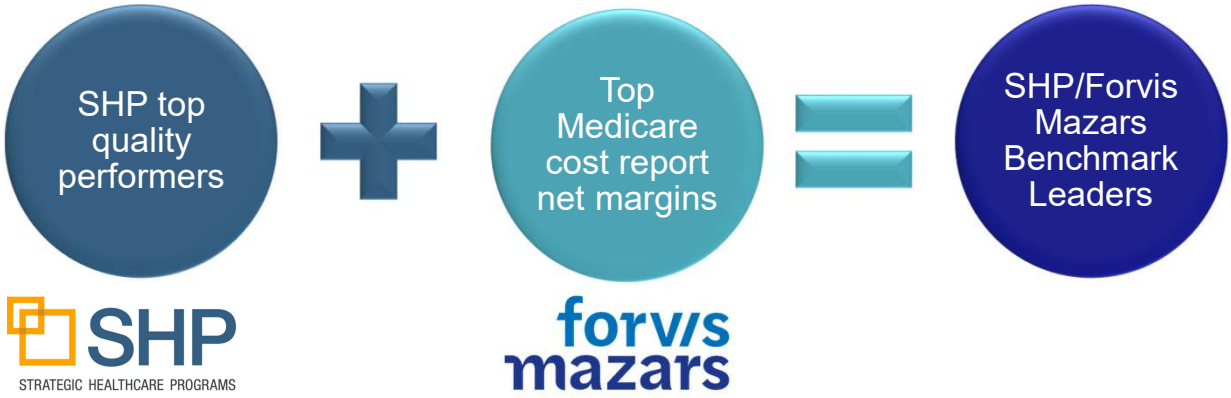
Benchmark Leaders



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Benchmark Leaders

Forvis Mazars Home Health Benchmarks	SHP/Forvis Mazars Benchmark Leaders
2023 Medicare cost reports	2023 Medicare cost reports
7,272 total agencies	341 total agencies
78% urban, 22% rural	59% urban, 41% rural
89% for-profit, 11% non-profit	95% for-profit, 5% non-profit
Median revenue of $1.9M	Median revenue of $4.1M
Median Medicare patient mix of 65%	Median Medicare patient mix of 54%
15% of agencies in Texas	11% of agencies in Texas

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KPIs

KPI	Benchmark Leaders	All Others	Texas
Overall margin	17%	4%	5%
Medicare patient mix	54%	65%	71%
Pament per Medicare period	$1,649	$1,852	$1,668
No. of Medicare periods per patient	3.2	2.9	4.3
No. of visits per Medicare period	7.2	7.8	7.9
Direct cost per visit	$83	$84	$79
Indirect cost per visit	$67	$91	$80
Total cost per visit	$149	$184	$162
DSO	49 days	57 days	60 days

55 Source: Medicare cost report data for fiscal years ended in 2023, median.

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Home Health Rule | A Financial Deep Dive

KPIs

55%
Texas MA penetration rate

$79
Texas direct cost per visit

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71%
Texas Medicare payer mix

$80
Texas indirect cost per visit

56 Source: CMS MA penetration data as of September 2025 & Forvis Mazars analysis of 2023 HH Medicare cost report data

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Home Health Rule | A Financial Deep Dive

KPIs

$2,057	$2,057	–2025 National standard payment rate
+2.4%	+2.4%	–Inflation adjustment
-4.059%	-4.059%	–Permanent adjustment
-5%	-5%	–Temporary adjustment
0.9204	0.9977	–Case-mix weight
Houston	Houston	–Wage-index adjustment
+0.10%	+0.10%	–VBP adjustment
-9.0%	**-1.3%**	–2026 Net impact

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Summary

Assess payment rule impact

Continue to Manage VBP performance

Compare KPIs

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Questions?

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Acronyms

- **CAHPS** Consumer Assessment of Healthcare Providers & Systems
- **DC Function** Discharge Function Score
- **DSO** Days sales outstanding
- **DTC-PAC** Discharge to Community-Post Acute Care
- **GI/GU** Gastrointestinal & genitourinary
- **HH** Home health
- **HHA** Home health aide
- **HHRG** Home Health Resource Group
- **KPI** Key performance indicator
- **LUPA** Low Utilization Payment Adjustment

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Acronyms

- **MA** Medicare Advantage
- **MMTA** Medication management, teaching & assessment
- **MS** Musculoskeletal rehabilitation
- **MSW** Medical social worker
- **OASIS** Outcome & Assessment Information Set
- **OT** Occupational therapy
- **PDGM** Patient Driven Groupings Model
- **PPH** Potentially Preventable Hospitalization
- **PT** Physical therapy
- **QRP** Quality Reporting Program
- **SLP** Speech-language pathology
- **SN** Skilled nursing
- **VBP** Value-Based Purchasing

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