

## Home Health

# Proposed hospice rates below FY23, final update likely better

Government Regulations

## Proposed rates +2.8%, final update likely higher

The proposed FY24 Hospice rule calls for a +2.8% rate update, 100bps below +3.8% in FY23. While the proposed rate update is worse than +5% CHE had assumed for 4Q23, we believe the final rate update will likely be better, and note that the 2023 final rate was 110bps above the proposed rule. With inflation remaining elevated (wages expected to grow 4-5%), it is surprising to see the market basket estimate decelerate in FY24 from FY23. Nevertheless, even the proposed rate is solid and above historical average – relevant for hospice providers CHE (hospice is 56% of revs), AMED (35%), ADUS (21%), and EHAB (19%). Also, the market basket estimate has implications for the proposed rate for hospitals and other providers.

## CMS expects 9% annual growth in hospice spending

Similar to FY22 rule, in the FY24 proposal, CMS reviewed hospice utilization data. CMS noted that despite the rebasing in FY20 (increased rates for higher levels of care) a high % of hospices proved little to no continuous and inpatient hospice care, which could be a signal of CMS' intention for another rebasing. In fact, CMS issued a request for information asking among other things, whether there are barriers to providing higher intensity levels of hospice care. In a positive, CMS said its Office of the Actuary forecasts a 9.1% annual growth in hospice spending, up from +7.6% prior, implying a robust growth is expected.

## +2.8% update on +3% MB, above the historical average

FY24 (starts 10/1/23) market basket (MB) was proposed at +3.0%, 110bps below +4.1% in FY23 but 30bps above +2.7% in FY22. We note last year CMS proposed MB of 3.1% for FY23 and finalized it at 4.1%. The MB will be reduced by a -0.2% productivity adjustment, 10bps better than -0.3% in FY23, resulting in a net update of +2.8%. The +3.0% MB is above the +2.7% avg in FY10-FY22. Similarly, the net update is well above the +1.5% avg in FY10-FY23, and above +2.2% avg in FY98-FY23 (see Exhibit 1).

## Routine rates up more than Inpatient, Continuous

Routine home care rates to be +3.0% for days 1-60, and +2.9% for days 61+, worse than +3.9% for FY23. Respite Inpatient rates to be up +2.9%, below +3.9% in FY23, General Inpatient rates up +2.8%, worse than +4.0% in FY23, Continuous care +2.6%, below +4.1% for FY23. This is a reversal from the FY23 reg where Inpatient and Continuous rates were up more than the Routine rates. CMS noted that for-profit hospices are more likely to provide Continuous care compared to other ownership types.

## Rate update better for for-profits

The hospice cap is to be increased 2.8%. The rate update to be better for the for-profit hospices, at +2.8% vs +2.7% for non-profits.

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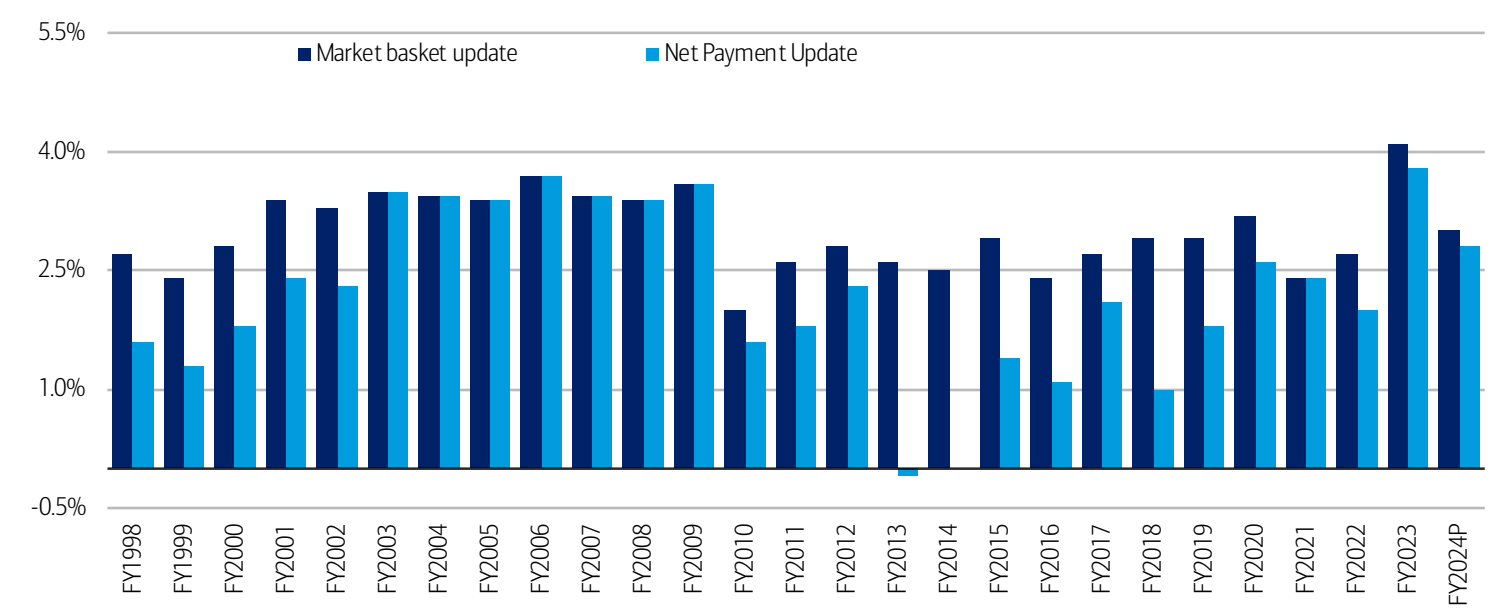
Amedisys (AMED)

Addus (ADUS)

Enhabet (EHAB)

CMS: Centers for Medicare &  
Medicaid Services

**Exhibit 1: Medicare rate updates for Hospice, FY1998-FY2024**  
The +2.8% FY24 rate update is lower than FY23 but better than the historical average



Source: CMS

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