

Navigating the 2025 Home Health Final Rule: Key Changes and Impact on Providers

On Friday, November 1, the Centers for Medicare and Medicaid Services (CMS) released the **2025 Home Health Final Rule**, which will go into effect on **January 1, 2025**. While the proposed rule included some significant payment reductions, the cuts were mitigated in the final rule, thanks to advocacy efforts by organizations like the American Physical Therapy Association (APTA). The behavioral adjustment for Calendar Year (CY) 2025 is a **-1.975% permanent reduction**, which is about half of the originally proposed **-3.95%** cut. After other adjustments, this resulted in a net payment increase of 0.5%. This outcome underscores the importance of continued advocacy and collective action in shaping policy.

Below is a breakdown of the key provisions and their impact on home health providers, along with potential strategies for navigating the changes.

Key Takeaways from the 2025 Home Health Final Rule

1. Payment Reductions:

- The **CY 2025 Final Rule** includes a **permanent payment reduction of -1.975%** through the behavioral adjustment. While this reduction is still significant, it is considerably less than the proposed **-3.95%** cut. The permanent reduction, mandated by the **Patient-Driven Groupings Model (PDGM)**, is part of CMS's annual review process to ensure budget neutrality.
- **Advocacy Impact:** APTA and other stakeholders have played a critical role in urging CMS to limit the severity of these cuts, demonstrating the power of advocacy in influencing policy outcomes.

2. Budget Neutrality and Payment Adjustments:

- The PDGM requires that payment changes be budget neutral, meaning any increases in home health spending must be offset by reductions elsewhere. As part of this, CMS applies **temporary adjustments** to ensure past overpayments or underpayments are corrected. However, **no temporary adjustments** for CY 2020-2023 are included in the Final Rule, as CMS deferred making those adjustments.
- **Advocacy Impact:** Though CMS did not finalize temporary adjustments for 2025, the threat to “clawback” overpayment in future rules remains. The potential for temporary cuts in future payment years represents a significant threat to the home health industry, and advocacy to prevent any future temporary adjustments is ongoing.

3. Routine Annual Payment Update:

- CMS has provided an **annual payment update of 2.7%**, based on a **3.2% market basket increase** minus a **0.5% productivity adjustment**. This update is slightly better than initially proposed but is largely offset by the **permanent adjustment reduction**, resulting in a modest net increase.
- **Payment for CY 2025:** The average 30-day period payment rate will increase from **\$2,038.13** in CY 2024 to **\$2,057.35** in CY 2025

4. **Impact Analysis:**

- The overall **economic impact** of the changes is estimated at an **increase of 0.5%**, which translates to approximately **\$85 million**. However, this increase reflects the offsetting impact of multiple adjustments, including a **1.975% decrease** due to the **behavior assumption adjustment** and a **0.4% decrease** due to changes in outlier payments.

5. **Case Mix Weights and LUPA Adjustments:**

- **PDGM case-mix weights** will be recalibrated, reflecting updated data from CY 2023. This includes adjustments to **functional impairment levels** and **comorbidity subgroups**. Additionally, the **Low Utilization Payment Adjustment (LUPA)** thresholds will be updated, as well as the **Fixed-Dollar Loss (FDL) ratio** for outlier payments, which will be set to **0.35**.
- These adjustments are aimed at ensuring that outlier payments, which account for the most complex cases, do not exceed **2.5%** of total payments.

6. **Wage Index Update:**

- CMS is finalizing a **wage index update** based on **FY 2021 hospital cost report data** and new geographic delineations from the **U.S. Census Bureau**. This may lead to increases or decreases in payments depending on a provider's geographic location. To mitigate potential adverse impacts, CMS is applying a **5% cap** on any wage index decrease from one year to the next.

7. **Quality Reporting Program (QRP) Changes:**

- CMS is finalizing the **collection of new standardized patient assessment data** related to **social determinants of health (SDOH)**. These new items will focus on **living situations, food security, and utilities**. Additionally, a modification will be made to the transportation item in the SDOH category starting with **CY 2027**.
- All agencies will be required to collect OASIS data for all payers for all qualifying patients (EVERY patient eighteen years old or older who is NOT being seen for maternal-child health services). This will be optional for start of care dates 1/1/25 to 6/30/25 and MANDATORY for start of care dates 7/1/25 and later.
- **Implication for Providers:** These changes will require home health agencies to adjust their data collection processes, particularly in regard to SDOH, starting in 2027.

8. **Conditions of Participation (CoPs):**

- CMS is adding a **new standard** to the Home Health Conditions of Participation (CoPs), requiring providers to develop and implement a **patient acceptance policy**. This policy will outline the scope of services provided by the agency, including any limitations on specialty services, service duration, and frequency.
- **Action Step:** Home health agencies should review their patient acceptance policies and ensure compliance with the new standard to avoid potential delays in care.

9. **Medicare Provider Enrollment:**

- The final rule introduces an important change to the Medicare enrollment process, applying additional oversight to providers **reactivating their Medicare billing privileges**. This includes the possibility of a provisional period of enhanced oversight, as well as prepayment medical reviews.
- **Impact on New Providers:** Agencies reactivating their billing privileges should be prepared for potential delays or additional scrutiny during this provisional period.

Strategies for Home Health Providers Moving Forward

1. **Focus on Advocacy:** Continued advocacy will be essential to mitigate future cuts. APTA and other stakeholders will be pushing for further adjustments to prevent ongoing payment reductions from negatively impacting home health providers.
2. **Review Payment Policies:** Providers should stay informed about the payment rate changes and assess their impact on their operations. The increase in the 30-day period payment rate is minimal, so home health agencies should plan accordingly to account for the permanent reductions.
3. **Adapt to New Reporting Requirements:** Agencies should begin preparing for the new data collection requirements under the **Quality Reporting Program (QRP)**, particularly in regard to SDOH. This will involve updates to their Outcome and Assessment Information Set (**OASIS**) data collection processes starting in 2027. Consider APTA Home Health's OASIS Certification for you and your staff.
4. **Update Patient Acceptance Policies:** In light of the new **CoP** changes, agencies must develop, implement, and annually review their **patient acceptance policies** to ensure compliance and avoid delays in care.
5. **Prepare for Provider Enrollment Changes:** Providers reactivating their Medicare billing privileges should anticipate enhanced oversight and ensure they are in compliance with CMS's new enrollment regulations.

Looking Ahead

While the **2025 Home Health Final Rule** includes a reduction in payment rates, the **impact of advocacy efforts** has been significant in limiting the severity of the cuts. As we move into 2025, home health agencies will need to navigate these changes carefully while remaining engaged in ongoing advocacy efforts to safeguard against future payment reductions. Join the [Advocacy Network](#) to join our collective voices and fight for our profession.

APTA Home Health will continue to provide resources, updates, and guidance to help home health providers understand and adapt to these rule changes. The full version of CY2025 Final Rule is available on the [Federal Registrar](#).

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Biography

Eva Norman, PT, DPT, CEEAA, is a dedicated physical therapist whose career was inspired by a life-altering experience that she believes ultimately saved her life. This transformative event sparked her passion for physical therapy, and she has since dedicated over 25 years to the field, treating patients across various settings and conditions. Dr. Norman earned her Bachelor of Science, Master of Science, and Doctor of Physical Therapy degrees from Thomas Jefferson University in Philadelphia, PA, and has developed a deep expertise in geriatric rehabilitation, neurology, orthopedics, and cardiopulmonary therapy.

In addition to her clinical work, Dr. Norman is a passionate advocate for the profession and has been actively involved with the **American Physical Therapy Association (APTA)** since 1994. She has held numerous leadership roles, including serving as the APTA Home Health Government Affairs Chair, APTA Home Health Federal Affairs Liaison, and APTA Home Health Chief Delegate. Her involvement with APTA reflects her commitment to advancing the field through policy, advocacy, and education, particularly in the home health sector, where she strives to improve access to quality care for patients in their homes.

In 2013, driven by a desire to make a broader impact on health and wellness, Dr. Norman founded **Live Your Life Physical Therapy, LLC**. The practice was created with the vision of providing in-home and community-based services that promote active, healthy lifestyles at any age. Through Live Your Life, Dr. Norman and her team in Minnesota and Florida offer a variety of services, including physical therapy, occupational therapy, speech therapy, personal training, acupuncture, massage therapy, and dietary services, all aimed at preventing disease, improving functional outcomes, and empowering individuals to take control of their health.

Dr. Norman's professional philosophy is embodied in her signature statement: *"Learn, Educate, Advocate—Physical Therapy & Your Patients are Counting on You!"* This reflects her deep commitment to ongoing learning, sharing knowledge, and advocating for both the profession and her patients. Through her work with APTA and Live Your Life Physical Therapy, Dr. Norman continues to make a lasting impact on the field and the lives of her patients.

