



MedPAC March Report to Congress: Medicare Payment Policy

The Medicare Payment Advisory Commission (MedPAC) recently sent its annual [March 2025 Report](#) on Medicare Payment Policy to Congress. The Report covers several relevant rural issues such as hospital funding, physician payment, and Medicare Advantage.

You can access the Report [here](#). If you have any questions, please contact Alexa McKinley Abel (amckinley@ruralhealth.us).

Medicare FFS Payment Adequacy and Updates

Congress requires MedPAC to annually make payment update recommendations for providers paid under Medicare's traditional fee-for-service (FFS) payment systems. The goal of this update is to ensure beneficiary access while maintaining fiscal sustainability.

Hospital inpatient and outpatient services

For FY 2026, MedPAC recommends that Congress **increase base hospital payment rates for all hospitals and direct additional resources to hospitals serving a high share of Medicare and low-income Medicare beneficiaries**. Specifically, MedPAC recommends that:

- Congress should update the 2024 Medicare base payment rates for general acute care hospitals **by the amount specified in current law plus 1%**. In addition, the Congress should:
 - redistribute disproportionate share hospital and uncompensated care payments through the [Medicare Safety-Net Index \(MSNI\)](#);
 - add \$4 billion to the MSNI pool;
 - scale fee-for-service MSNI payments in proportion to each hospital's MSNI and distribute the funds through a percentage add-on to payments under the inpatient and outpatient prospective payment systems; and
 - pay commensurate MSNI amounts for services furnished to Medicare Advantage (MA) enrollees directly to hospitals and exclude them from MA benchmarks.

The report shows hospitals with higher MSNI values that serve more low-income Medicare beneficiaries had significantly lower all-payer margins than those with lower MSNI values. Rural emergency departments reported a slight increase in the percentage of patients leaving without being seen, signaling potential workforce shortages and growing demand for rural emergency care.

Physician and other health professional services

Most physician payment adequacy indicators remained stable in 2023 and 2024, but clinicians' input costs have increased faster than historical trends. **Urban and rural Medicare beneficiaries reported comparable experiences and satisfaction levels on most questions, but there were observed differences between them in the mix of clinicians they saw**. MedPAC found that:

- Rural Medicare beneficiaries are significantly more likely to receive care from nurse practitioners (NPs) and physician assistants (PAs) than urban beneficiaries.
- Fewer rural beneficiaries report seeing specialists annually (40%) compared to urban beneficiaries (54%), reflecting limited specialist availability in rural areas.
- Rural areas continue to face a decline in primary care physicians; however, NPs and PAs are filling this gap, particularly in community health centers and critical access hospitals.
- Telehealth usage has helped improve rural access, but state licensing barriers and inconsistent reimbursement policies remain obstacles.

MedPAC key recommendations to Congress include:



- For calendar year 2026, update the 2025 Medicare base payment rate for physician services by the projected increase in the **Medicare Economic Index minus 1 percentage point** (currently estimated at 1.3%);
- **Enact permanent safety-net add-on payment for clinicians serving low-income Medicare beneficiaries, increasing revenue for rural primary care providers by 5.7% and other specialists by 2.5%**

Skilled nursing facility (SNF) services

Medicare SNFs remain financially viable, but rural facilities face workforce shortages and funding disparities. The FFS Medicare margin for freestanding SNFs was 22% in 2023, but rural SNFs often operate at lower margins due to higher costs and lower patient volumes.

For FY 2026, **MedPAC recommends that Congress reduce the 2025 Medicare base payment rates for SNFs by 3%, but acknowledges that rural facilities may require additional policy considerations:**

- New federal minimum staffing requirements for SNFs will begin in May 2026, which could disproportionately impact rural nursing homes struggling with staff shortages.
- Some states have increased Medicaid reimbursement rates for SNFs, providing limited relief but rural facilities still face financial challenges due to lower patient volumes.

Home health care services

Home health utilization was lower on a per capita basis in rural areas, averaging 22.1 thirty-day periods per 100 FFS Medicare beneficiaries in rural counties compared with 24.2 thirty-day periods per 100 FFS Medicare beneficiaries for urban counties.

Other notable findings in the report include that rural home health agencies had higher rates of patient satisfaction (84%) compared with urban agencies (78%). Additionally, only 14% of home health agencies provided at least one telehealth or remote patient monitoring (RPM) service during 2023, despite the fact both services are covered by Medicare. While there is no rural vs. urban breakdown of the provision of these services, the low uptake may suggest that rural home health agencies do not have the infrastructure to furnish these services.

MedPAC key recommendations to Congress include:

- Reduce the 2025 base payment rate by 7% for CY 2026. This recommendation would decrease federal program spending by \$750 million to \$2 billion in 2025 and by \$10 billion to \$25 billion over five years. The report states that Medicare payments for home health care are in excess of costs and sees home health care to be a high-value benefit when efficiently delivered.

The Medicare Advantage program: Status report

To monitor program performance, MedPAC examines Medicare Advantage (MA) enrollment trends, plan availability for the coming year, and payments for MA plan enrollees relative to spending for beneficiaries enrolled in traditional FFS Medicare. Key findings:

- MA enrollment in rural areas grew by 13% from 2023 to 2024, outpacing the 9% growth in urban areas.
- Despite this growth, rural beneficiaries still have fewer plan options, and provider networks remain limited.
- Medicare continues to pay MA plans about 20% more per enrollee than it would in FFS Medicare, increasing costs for Medicare overall.

- In 2023, 15 percent of MA enrollees and 20 percent of FFS enrollees resided in rural areas.
- The top five MA insurers now control 80% of enrollment, raising concerns about market consolidation and its impact on rural plan choices.

Freestanding Inpatient Psychiatric Facilities (IPFs)

In 2023, only 4% of Medicare-covered IPFs days were in government-run freestanding IPFs, while 35% were in privately owned freestanding IPFs. Medicare coverage of treatment in these facilities is limited to 190-days. The remaining 60 percent of Medicare inpatient psychiatric days took place in hospital-based IPFs, which are not subject to these limitations.

MedPAC key recommendations to Congress include:

- Eliminate the 190-day lifetime limit on covered days in freestanding IPFs;
- Reduce the number of covered inpatient psychiatric days available during the initial benefit period for new Medicare beneficiaries who received care from a freestanding IPF on and in the 150 days prior to their date of Medicare entitlement.