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Financial Management Group

**DATE:** Friday, September 13, 2024

**TO:** Financial Management Group  
Division of Reimbursement Review

**FROM:** Rory Howe  
Director

**SUBJECT:** Annual Change in Medicaid Hospice Payment Rates—ACTION

This memorandum contains the Medicaid hospice payment rates for Federal Fiscal Year (FY) 2025. The rates reflect changes made under the final Medicare hospice rule published on August 6, 2024 (CMS-1810-F). Please inform your staff and all State agencies in your jurisdiction of these new payment rates, which are effective October 1, 2024. We expect State agencies to share the Medicaid hospice payment rates for FY 2025 with the hospice providers in their States.

The Medicaid hospice payment rates are calculated based on the annual hospice rates established under Medicare. These rates are authorized by section 1814(i)(1)(C)(ii) of the Social Security Act (the Act), which also provides for an annual increase in payment rates for hospice care services. Rates for hospice physician services are not increased under this provision.

Section 3004 of the Affordable Care Act also amended the Act to authorize a Medicare quality reporting program for hospices. Section 1814(i)(5)(A)(i) of the Act requires that beginning with FY 2024 and for each subsequent FY, the Secretary shall reduce the market basket update by 4 percentage points, for any hospice provider that does not comply with the quality data submission requirements with respect to that FY.<sup>1</sup> We note that the Medicaid minimum rates would be reduced by the amount of any penalty due to non-reporting. States choosing to implement this optional Medicaid hospice rate reduction for lack of quality reporting must specify its use and the penalty amount of no more than 4 percentage points in the Medicaid State plan.

The following two tables include Medicaid hospice rates for FY 2025. Table 1 includes the Medicaid hospice rates States will pay to providers that have complied with the quality reporting requirements. Table 2 provides rates, which includes the 4-percentage point reduction, for those providers that have not complied with the reporting requirements. The tables provide the minimum rates available for State Medicaid agencies to pay hospice providers. States retain their flexibility to pay providers more than the established minimum payments consistent with sections 1902(a)(13)(B) and 1902(a)(30)(A) of the Act.

The Medicaid hospice payment rates for: Routine Home Care (RHC), including the service intensity add-on (SIA), Continuous Home Care (CHC), Inpatient Respite Care (IRC), and General Inpatient Care (GIC) will be in effect for all of FY 2025 and are as follows:

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<sup>1</sup> Section 407 of the Consolidated Appropriations Act of 2021 can be found at <https://www.congress.gov/116/bills/hr133/BILLS-116hr133enr.pdf>

**Table 1: FY 2025 Medicaid Hospice Rates for Routine Home Care (including the service intensity add-on), Continuous Home Care, Inpatient Respite Care, and General Inpatient Care for Hospice Providers that Have Submitted the Required Quality Data**

DESCRIPTION	DAILY RATE	WAGE COMPONENT SUBJECT TO INDEX	NON-WEIGHTED AMOUNT
Routine Home Care (Days 1-60)	\$224.91	\$148.44	\$76.47
Routine Home Care (Days 61+)	\$177.15	\$116.92	\$60.23
Service Intensity Add-On	\$67.47	\$50.74	\$16.73
Continuous Home Care	\$1,619.22 Full Rate = 24 hrs of care / \$67.47 hourly rate	\$1,217.65	\$401.57
Inpatient Respite Care	\$546.08	\$333.11	\$212.97
General Inpatient Care	\$1,170.04	\$742.98	\$427.06

**Table 2: FY 2025 Medicaid Hospice Rates for Routine Home Care including the service intensity add-on, Continuous Home Care, Inpatient Respite Care, and General Inpatient Care for Hospice Providers that Have Not Submitted the Required Quality Data (includes 4 percentage point reduction to the market basket index)<sup>2</sup>**

DESCRIPTION	DAILY RATE	WAGE COMPONENT SUBJECT TO INDEX	NON-WEIGHTED AMOUNT
Routine Home Care (Days 1-60)	\$216.16	\$142.67	\$73.49
Routine Home Care (Days 61+)	\$170.27	\$112.38	\$57.89
Service Intensity Add-On	\$64.84	\$48.76	\$16.08
Continuous Home Care	\$1,556.28 Full Rate = 24 hrs of care / \$64.84 hourly rate	\$1,170.32	\$385.96
Inpatient Respite Care	\$524.85	\$320.16	\$204.69
General Inpatient Care	\$1,124.56	\$714.10	\$410.46

Section 1814(i)(2)(B) of the Act also provides for an annual increase in the hospice cap amounts. The hospice cap runs from October 1<sup>st</sup> of each year through September 30<sup>th</sup> of the following year. The hospice cap amount for Medicare for the cap year ending September 30, 2025, is \$34,465.34.

This cap is optional for hospice services under the Medicaid program. States choosing to

<sup>2</sup> States implementing a penalty reduction of less than 4 percentage points for hospice providers not reporting hospice quality data would calculate their minimum rates according to the guidance outlined under the “Optional Percentage Point Reduction for Lack of Quality Reporting” link found on the [Medicaid Hospice Payment Page on Medicaid.gov](#).

implement this cap must specify its use in the Medicaid State plan.

The daily hospice rates specified above are base rates composed of a wage component subject to the hospice wage index and a non-weighted component. The new wage index should be used by States to adjust the wage component of the daily hospice payment rates to reflect local geographical differences in the wage levels. The daily hospice base rates specified above must be revised accordingly when the wage component is adjusted.<sup>3</sup>

The appropriate wage index value would be applied to the labor portion of the hospice payment rate based on the geographic area in which the Medicaid enrollee resides when receiving RHC or CHC services or based on the geographic location of the facility for a Medicaid enrollee receiving GIP or IRC services. The FY25 hospice wage index is effective October 1, 2024 and may be found at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/Hospice/Hospice-Wage-Index.html> (click on FY 2025 Final Hospice Wage Index).

The FY2025 hospice wage index has numerous updates based on the implementation of new OMB labor market delineations issued in OMB Bulletins Nos. 18–04 and 20–01. These updates result in micropolitan areas continuing to be treated as rural, the addition of a rural area in Delaware, Connecticut’s nine planning regions serving as county-equivalents within the CBSA system, 53 counties (and county equivalents) that were previously considered urban that would now be considered rural, 54 counties (and county equivalents) that were previously considered rural that would now be considered urban, and the shift of 133 urban counties from one urban CBSA to a new or existing urban CBSA. Details on counties (and county equivalents) whose CBSA is affected by these updates are listed in Tables 2- 8 of the FY25 Medicare Hospice Final Rule.<sup>4</sup>

Some counties changing OMB designations may have a wage index value that differs from the wage index value assigned to the other constituent counties that make up the CBSA or statewide rural area they are moving into because of the application of the permanent 5-percent cap on wage index decreases established in FY 2023. States should apply the cap to counties moving into a new delineation with a lower wage index so that the county’s FY 2025 wage index would not be less than 95 percent of the county’s FY 2024 wage index value under the old delineation. As a CBSA or statewide rural area can have only one wage index value assigned to it for hospice claims processing, counties receiving the capped wage index would need to use a number other than the new CBSA or statewide rural area number to identify the county’s appropriate wage index value for hospice claims for FY25. Therefore, hospices serving enrollees in these counties would use a special, five-digit transition code beginning with “50,” while those located in CBSAs and rural areas where the wage index of the new CBSA is not less than 95 percent of their county’s prior FY wage index under the old delineation would use the new CBSA number. Counties using the special five-digit transition code would continue to use that code until the county’s wage index value calculated for a FY using the new OMB delineations is not less than 95 percent of the county’s capped wage index from the

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<sup>3</sup> The formula to apply to determine the hospice rates for a local geographic region is: (Geographic Factor (from the FY 2024 Medicare hospice wage index) x Wage Component Subject to Index) + Non-Weighted Amount. The wage index is based on the geographic location in which the beneficiary resides for RHC or CHC hospice services and based on the facility location for beneficiaries receiving GIP or IRC hospice services.

<sup>4</sup> [89 FR 64202](#) at 62409-64220 and 64222

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previous fiscal year. Counties that will require a transition code are indicated in Table 8 of the Medicare Hospice Final Rule.<sup>5</sup> Questions specific to the FY25 hospice wage index updates in this and the preceding paragraphs only may be sent to the Medicare Hospice Policy Mailbox at [hospicepolicy@cms.hhs.gov](mailto:hospicepolicy@cms.hhs.gov).

Please send all other questions concerning Medicaid hospice payment and this memorandum to Danielle Motley at [danielle.motley@cms.hhs.gov](mailto:danielle.motley@cms.hhs.gov). This memorandum is also posted on Medicaid.gov at: <https://www.medicaid.gov/medicaid/benefits/hospice/payment/index.html>.

/s/

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Director

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<sup>5</sup> The counties expected to require a transition code are specified in Table 8 of the [Medicare Program: FY 2025 Hospice Wage Index and Payment Rate Update, Hospice Conditions of Participation Updates, and Hospice Quality Reporting Program Requirements Final Rule \(1810-F\)](#).