

Payment Cuts Are An Existential Threat

Nonprofit Talking Points:
Home Health CY2026 Proposed Rule Advocacy



Overview

The proposed cut to Medicare Fee for Service (FFS) payment rates included in the Centers for Medicare and Medicaid Services (CMS) Calendar Year (CY) 2026 Home Health Payment System Rate Update is deep: -9%. And, when combined with the -8.8% payment reductions the agency has imposed since CY2023, will be significant to all providers of home health care—but nonprofit providers are particularly at risk.

Nonprofit providers tend to be smaller operators with limited ability to leverage operational economies of scale. Their patient mix generally includes sicker beneficiaries whose care needs are more acute. Both characteristics increase the cost of providing care. For those reasons, nonprofits' margins tend to be thinner, on average, compared to the sector's overall margins. The loss of almost 10% in traditional CY26 Medicare payment for services provided will further diminish a revenue stream that's been shrinking since CY2023. It could be the final blow—a potential death knell—to nonprofit, mission-based home health.

To fight against CMS' proposed cuts and support our home health members—and also LeadingAge members in other care settings and communities serving older adults who rely on home health services—we've developed a multi-pronged advocacy strategy.

Rulemaking Notice and Comment

LeadingAge will submit comments on the CY2026 rule that are due on August 29, 2025. In early August, we will release a more detailed how-to comment guide for use by members that delves into the rule's various elements. However, the nonprofit-specific talking points below provide the foundation that will inform our comments—and members', too.

Congressional Advocacy

To complement our efforts via the traditional notice-and-comment rulemaking process, we are undertaking a congressional-focused initiative that relies on LeadingAge members' contributions. Providers should urge their members of Congress to use their authority and platform to implore CMS to reverse course, stop the cuts immediately, and fix the flawed Patient-Driven Groupings Model methodology. We encourage members to reach out to their members of Congress for meetings or to write them a letter explaining the proposed rule's impacts.

Use the talking points below to help shape your messages, whether written or spoken. LeadingAge can support you in identifying how to contact your Member and the appropriate staffer. In addition, we will also issue an action alert in early August, which is another avenue for congressional advocacy.

Given that these cuts impact the entire home health sector, a unified advocacy front to oppose them is critically important. That's why LeadingAge, working in partnership with the National Alliance for Care at Home, has created materials including co-branded explainers that detail the repercussions of this proposed rule at the federal and state levels.

At the same time, we understand nonprofit providers' distinct challenges; we want the administration and members of Congress to recognize the particular devastation nonprofit, mission-driven home health agencies face if this rule is finalized.

What We Need From Congress

- Oppose the CY 2026 Home Health proposed rule.
- Urge CMS to rescind cuts and preserve critical access to care for patients and families.
- Support legislation that strengthens—not weakens—home-based care, the preferred choice for patients and the highest-value option for our Medicare trust fund.

TALKING POINTS: EXPLANATION AND NONPROFIT DIFFERENCE

Explain: Why -9% when the CMS fact sheet says -6.4%?

CMS proposes a -9% cut in total to home health rates in the CY2026 rule. The -4.059% permanent prospective adjustment to the base rate is accompanied by an additional -5% temporary adjustment that would be subtracted from the CY2026 base payment rate. The statutorily required market basket update, proposed at 2.7% this year, does little to soften the enormous proposed reductions.

Nonprofits' Unique, Mission-Driven Attributes

Highlight Your Mission; Demonstrate How Cuts Will Limit Your Ability to Fulfill It

Since 2019, over 1,000 home health agencies have closed and many more have needed to reduce services or service areas. Nonprofit providers have decreased from 11% of the sector to only 7% of the home health sector in that six-year time period. The mission of nonprofit agencies is different from the majority of the home health sector, which is dominated by for-profit operators. Nonprofits invest profits in their operations and in their communities—a crucial difference that is important to explain and emphasize.

Be specific about what you're paying for (overhead, benefits for nurses, retention bonuses, reinvesting in community benefits, etc.)



- How is your money being spent?
- How do your financial decisions and allocation of funds differentiate your work from competitors'?
- How do you use any margins to reinvest in your agency and community?

***In previous years, what actions have you taken due to the increased financial pressures?
Consider the following:***



- Limited admissions?
- Closed branches?
- Laid off staff?
- Reduced the number or type of services?
- Reduced your service area?
- Reduced assets or liabilities (selling buildings, renegotiating leases)?

What will you need to do in order to absorb the proposed cuts?



- Are you going to have to cut other services in order to continue to offer Medicare home health?
- Will you be able to continue offering Medicare home health at all?
- Are you going to have to limit or stop offering other services that help your community (e.g., vaccination program, maternity visits, limiting uncompensated care cases)?

***Provide context: How many non-profit, mission-driven agencies are left in your area?
Are you the only one?***

Cuts Impact Nonprofits' Role With Safety Net Referral Partners

Many nonprofit, mission driven agencies have relationships with safety net providers and agree to take the most complicated patients from safety net hospitals and clinics. Often these entities know nonprofits will serve patients with more complex cases and fewer supports. Reductions in payment will naturally reduce nonprofits' ability to support the safety net system.



- Who are some of your referral sources? Be specific about who these partners are and share details about the complex care needs of patients they refer.
- What will the impact of continued cuts be on your ability to serve as a safety net provider of home health services?

Cuts Heighten Reliance On Philanthropy, Which Faces Increased Demand



- Are you already reliant on philanthropy to make ends meet? Explain how.
- Would Fee For Service (FFS) Medicare cuts increase your reliance on philanthropy?
- Are you hearing about increased competition for philanthropic dollars due to federal spending cuts to grant programs, the budget reconciliation bill, or other issues?

Sector Margins: Educate Your Audience About The Data

The Medicare Payment Advisory Commission's (MedPAC) maintains that home health agencies' Medicare FFS margins are in excess of 20%. Considered alone, that datapoint presents an incomplete picture because Medicare FFS is only one revenue source. Indeed, when all revenue streams are considered, the margin reality for many nonprofit, mission-driven agencies is far different. Their all-payer (i.e., Medicare FFS, Medicare Advantage (MA), Medicaid and private pay) margins are closer to 8%. A second data point—sourced from the 2024 CMS Office of the Actuary (OACT) and developed using 2022 cost reports, which is included in the 2025 Medicare Trustees report—projects that almost 50% of agencies (both nonprofit and for-profits) will have negative margins by 2027.

Margin reality: be transparent about the costs you are incurring with MA contracts as well as reimbursement from other safety-net programs such as Medicaid.

Discuss inadequate payment from other payers:



- What is your MA per-visit rate? Does it cover your costs? How does it compare to your Medicare FFS margins?
- What is your Medicaid per-visit rate? Does it cover your costs? How does it compare to your Medicare FFS margins?
- Discuss concerns about coupling these FFS Medicare cuts with forthcoming Medicaid cuts or flat reimbursement due to H.R. 1.



Questions?

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