CMS Finalizes 2025 Medicare Payment and Policy Changes for Acute Care and Long-Term Care Hospitals



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On August 1, 2024, the Centers for Medicare & Medicaid Services (CMS) issued the fiscal year 2025 – Medicare Hospital Inpatient Prospective Payment System and Long-Term Care Hospital Prospective Payment System Final Rule. Overall, CMS will increase hospital payments by $2.9 billion in 2025. The final rule introduces key payment and policy changes for Medicare inpatient and long-term care hospital services, including the following:

- The implementation of a five-year mandatory transforming episode accountability model (TEAM) starting in January 2026.
- Increased Medicare funding for 200 new graduate medical education slots starting in 2026, of which at least half must be distributed for psychiatry or psychiatry subspecialty residencies.
- A revision to the severity level designation for seven ICD-10 clinical modification diagnosis codes related to housing insecurity.
- Three policy adjustments for new technology add-on payment (NTAP) applications beginning in 2025.
- The continuation of the hospital low-wage index policy and updated labor market areas.
- Ongoing calculation of disproportionate share hospital payments based on three years of uncompensated care data.
- Mandatory respiratory illness reporting for hospitals and critical access hospitals as a condition of participation post COVID-19 public health emergency.

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