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Home Health Payment and Enrollment Rule Proposed for 2027

On July 1, 2026, the Centers for Medicare & Medicaid Services (CMS) issued its proposed Home Health Prospective Payment System (HH PPS) rule for calendar year (CY) 2027.[1] CMS estimates that the rule would increase aggregate Medicare payments to home health agencies (HHAs) by 2.4%, or $420 million, relative to CY 2026, even as the agency applies a temporary payment reduction and advances a set of provider enrollment provisions directed at reducing fraud, waste, and abuse.[2] This Health Capital Topics article examines the proposed payment update, the behavioral adjustments that continue to shape home health rates, the cross-cutting enrollment provisions, and the industry response.

The proposed 2.4% aggregate increase reflects a CY 2027 home health payment update of 2.1%, which CMS estimates at $370 million, combined with a 0.3% increase, estimated at $50 million, tied to the proposed update to the fixed dollar loss (FDL) ratio used in calculating outlier payments.[3] By statute, outlier payments may not exceed 2.5% of total home health payments, and the FDL ratio is recalibrated each year to hold outlier spending within that limit.[4] CMS also proposes to recalibrate the Patient-Driven Groupings Model (PDGM) case-mix weights and to update the low utilization payment adjustment (LUPA) thresholds, functional impairment levels, and comorbidity adjustment subgroups using 2025 claims data.[5] That recalibration applies across the 432 payment groups that make up the current case-mix system.[6]

Much of the recurring tension in home health rate-setting stems from the PDGM, which CMS implemented on January 1, 2020, alongside a shift from a 60-day episode to a 30-day period as the unit of payment, as required by the Bipartisan Budget Act of 2018.[7] That statute also directed CMS to reconcile annually the difference between the behavior changes it assumed HHAs would make and those that actually occurred, and it authorizes both permanent prospective reductions to the base rate and temporary reductions that recover prior-year overpayments where actual behavior yields higher aggregate expenditures than the prior system would have.[8]

In each of the four preceding years, CMS applied a permanent behavioral reduction: 3.925% for 2023, 2.890% for 2024, 1.975% for 2025, and 1.023% for 2026.[9] For 2027, the agency is not proposing an additional permanent adjustment, concluding that behavior changes reflected in preliminary 2025 claims may not be directly attributable to the PDGM given confounding factors such as continued recalibration of the case-mix weights, the rollout of a revised version of the Outcome and Assessment Information Set (OASIS, the standardized patient assessment HHAs complete for their Medicare and Medicaid patients), and prior reductions to the payment rate.[10] That decision departs from the pattern of the prior four rulemaking cycles.

The agency is, however, proposing a temporary reduction of 3.0% to the 2027 national, standardized base payment rate to continue recouping retrospective overpayments for 2020 through 2025.[11] CMS estimates that the reduction would collect approximately $500 million, or 10% of the estimated $4.9 billion in temporary adjustment dollars identified to date, and it notes that additional temporary reductions may follow in subsequent years.[12]

Although housed in a home health payment rule, the proposed provider enrollment provisions would apply to all provider and supplier types that participate in Medicare, and CMS estimates they would save approximately $82 million annually.[13] The provisions are aimed at strengthening the agency's ability to recover improper payments and remove noncompliant participants, and several would broaden the circumstances under which CMS can deny or revoke enrollment and recover payments. Chief among them is a change to the timing of revocations: at present, the agency may set a revocation's effective date retroactively only for certain grounds, but the proposal would extend retroactive effective dates to all revocation grounds, allowing CMS to recover payments made after noncompliance began.[14] The rule would also add new grounds for denial and revocation, including where a provider operates in a limited geographic area that CMS deems to carry a high risk of fraud because of an excessive number of providers, and where a provider has been convicted within the preceding 10 years of a misdemeanor related to sexual assault or financial misconduct.[15]

These provisions extend an enforcement posture CMS has pursued throughout 2026. In February, the agency imposed a nationwide enrollment moratorium aimed at certain durable medical equipment suppliers,[16] and in May it imposed six-month nationwide moratoria on new hospice and HHA enrollments.[17]

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The rule addresses several other areas. CMS states that skilled palliative care services may be furnished and billed under the existing home health benefit for eligible patients with serious illness, and it seeks comment on how to broaden community-based palliative care through existing benefits.[18] To improve the timeliness of publicly reported quality data, CMS proposes to shorten the OASIS submission deadline from 4.5 months to 45 days, which it estimates could make quality information available up to three months sooner.[19]

The proposed rule also reaches beyond home health payment. Consistent with its scope, which extends to durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) policies, the rule would expand the durable medical equipment benefit, effective April 1, 2027, to cover certain external infusion pumps and associated home infusion drugs, implementing a provision of the Consolidated Appropriations Act, 2026.[20] It also includes a request for information on constructing a home health specific wage index from an alternate data source.[21]

Home health stakeholders offered a measured response. The National Alliance for Care at Home welcomed the 2.4% increase and the decision to forgo a permanent behavioral adjustment, which it credited in part to its advocacy, while cautioning that the 3.0% temporary adjustment could jeopardize access to care; Alliance CEO Jennifer Sheets surmised that Medicare rates, with the temporary adjustment applied, remain misaligned with the cost of delivering care.[22] LeadingAge likewise characterized the payment increase and the absence of a permanent adjustment as positive developments, while noting that the proposals do not resolve the underlying financial strain on HHAs.[23]

CMS will accept comments on the proposed rule through August 31, 2026.[24]

The 2027 proposal presents a mixed bag for home health: a headline payment increase paired with a continuing temporary recoupment, and a routine rate update bundled with enrollment authorities that reach well beyond the home health sector. For a benefit that has absorbed successive behavioral reductions since 2020, the decision to pause the permanent adjustment marks a shift in how CMS attributes post-pandemic utilization patterns to the model. As the agency simultaneously broadens the grounds on which it can deny, revoke, and retroactively unwind enrollment, the open question is whether the sector's near-term payment relief will be outweighed by the compliance exposure that now accompanies it.

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1 "CMS Proposes Updates to Strengthen Medicare Program Integrity, Combat Fraud, and Expand Access to Home Health Care" Centers for Medicare & Medicaid Services, Press Release, July 1, 2026, https://www.cms.gov/newsroom/press-releases/cms-proposes-updates-strengthen-medicare-program-integrity-combat-fraud-expand-access-home-health (Accessed 7/6/26).

2 "Calendar Year (CY) 2027 Home Health Prospective Payment System Proposed Rule Fact Sheet (CMS-1844-P): CY 2027 Proposed Payment and Policy Updates for Home Health Agencies" Centers for Medicare & Medicaid Services, Fact Sheet, July 1, 2026, https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2027-home-health-prospective-payment-system-proposed-rule-fact-sheet-cms-1844-p (Accessed 7/6/26).

3 *Ibid.*

4 "Prospective Payment for Home Health Services" 42 U.S.C. § 1395fff(b)(5)(A).

5 "Calendar Year 2027 Home Health Prospective Payment System (HH PPS) Rate Update; Requirements for the HH Quality Reporting Program and the Expanded HH Value-Based Purchasing Model; Medicare Provider Enrollment, Durable Medical Equipment (DME), and DME, Prosthetics, Orthotics, and Supplies (DMEPOS) Policies" Federal Register, Vol. 91 (July 6, 2026), available at: https://www.federalregister.gov/d/2026-13602 (Accessed 7/6/26), p. 41241.

6 *Ibid.*

7 *Ibid,* p. 41220; "Bipartisan Budget Act of 2018" Pub. L. No. 115-123, § 51001 (February 9, 2018).

8 "Prospective Payment for Home Health Services" 42 U.S.C. § 1395fff(b)(3)(D).

9 Federal Register, Vol. 91 (July 6, 2026), p. 41236.

10 *Ibid*, p. 41239.

11 *Ibid*, p. 41240.

12 *Ibid.*

13 Centers for Medicare & Medicaid Services, Press Release, July 1, 2026; Centers for Medicare & Medicaid Services, Fact Sheet, July 1, 2026.

14 Federal Register, Vol. 91 (July 6, 2026), p. 41218.

15 Centers for Medicare & Medicaid Services, Fact Sheet, July 1, 2026.

16 "Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Nationwide Temporary Moratoria on Enrollment of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Supplier Medical Supply Companies" Federal Register, Vol. 91 (February 27, 2026), available at: https://www.federalregister.gov/documents/2026/02/27/2026-03971/medicare-medicaid-and-childrens-health-insurance-programs-announcement-of-nationwide-temporary (Accessed 7/20/26).

17 "CMS Announces Aggressive Nationwide Crackdown on Fraud with Six-Month Hospice and Home Health Agency Enrollment Moratoria" Centers for Medicare & Medicaid Services, Press Release, May 13, 2026, https://www.cms.gov/newsroom/press-releases/cms-announces-aggressive-nationwide-crackdown-fraud-six-month-hospice-home-health-agency-enrollment (Accessed 7/6/26).

18 Centers for Medicare & Medicaid Services, Fact Sheet, July 1, 2026.

19 Centers for Medicare & Medicaid Services, Press Release, July 1, 2026; Centers for Medicare & Medicaid Services, Fact Sheet, July 1, 2026.

20 *Ibid.*

21 *Ibid.*

22 "The Alliance Responds to the CY 2027 Home Health Proposed Rule" National Alliance for Care at Home, Press Release, July 1, 2026, https://allianceforcareathome.org/the-alliance-responds-to-the-cy-2027-home-health-proposed-rule/ (Accessed 7/6/26).

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24 "Calendar Year 2027 Home Health Prospective Payment System (HH PPS) Rate Update; Requirements for the HH Quality Reporting Program and the Expanded HH Value-Based Purchasing Model; Medicare Provider Enrollment, Durable Medical Equipment (DME), and DME, Prosthetics, Orthotics, and Supplies (DMEPOS) Policies" Federal Register, Vol. 91 (July 6, 2026), available at: https://www.federalregister.gov/d/2026-13602 (Accessed 7/6/26), p. 41216.

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