

WASHINGTON

perspectives

***An Analysis and Commentary on Federal Health Care Issues
by Larry Goldberg***

July 31, 2026

CMS Finalizes Fiscal Year 2027 Hospice Prospective Payment System Update



The Centers for Medicare and Medicaid Services (CMS) have issued a final rule that will update the Hospice Prospective Payment System (PPS) for fiscal year (FY) 2027.

The rule updates the hospice wage index, payment rates, and aggregate cap amount for fiscal year 2027. The rule also includes an analysis of Medicare non-hospice spending, including details regarding a hospice service and spending variation index, and finalizes the requirement that hospices provide the hospice election statement addendum to all Medicare beneficiaries at the time of hospice election. Additionally, the rule finalizes conforming changes to discharge from hospice care regulations and changes to the face-to-face encounter regulations.

SUMMARY OF THE MAJOR PROVISIONS (Page 3)

Section III.A.1. updates to the hospice wage index and makes the application of the updated wage data budget neutral for all four levels of hospice care.

Section III.A.2. includes the FY 2027 hospice payment update percentage.

Section III.A.3. includes the FY 2027 hospice payment rates.

Section III.A.4. updates the hospice cap amount for FY 2027 by the hospice payment update percentage.

Section III.B.1. includes analysis of Medicare non-hospice spending under a hospice election.

Section III.B.2. includes details regarding a hospice SSVI.

Section III.C. makes the hospice election statement addendum mandatory for all hospice elections.

Section III.D.1. clarifies a regulation text change at § 418.26(b) that aligns the Conditions of Participation (CoPs) and payment regulations regarding who may discharge a patient from hospice care.

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Consulting, 3106 Wheatland Farms Ct, Oakton, Virginia 22124
larry004b@gmail.com**

Section III.D.2. includes technical regulation text changes at § 418.22(a)(4)(ii) to extend the end date of the telehealth allowance for the face-to-face encounter until December 31, 2027, as set forth at section 1814(a)(7)(D)(i)(II) of the Act, and to include a new requirement to include modifiers or codes for such encounters, and prohibit the use of telehealth to conduct the face-to-face encounter in specific situations related to moratoriums (section 1866(j)(7) of the Act), enhanced oversight (section 1866(j)(3) of the Act), or enrollment status (section 1866(j) of the Act).

Section III.E.1. includes a summary of comments on CMS' RFI on ways to enhance the provision of community-based palliative care outside of hospice care.

Section III.E.2. includes a summary of comments on CMS' RFI regarding the construction of a hospice specific wage index.

Section III.E.3. includes a summary of comments on CMS' RFI on Medical Aid in Dying laws.

Section III.F. provides updates to the HQRP to include public reporting timeframes, future measures and adds a data submission icon to the Care Compare tool.

The rule is scheduled for publication in the **Federal Register** on July 31. A copy of the 160-page rule is currently available at: <https://public-inspection.federalregister.gov/2026-15686.pdf>.

SUMMARY OF IMPACTS (Page 4)

The overall economic impact of this final rule is estimated to be **\$755 million in increased payments** to hospices in FY 2027.

Comments

Once again, our analysis basically follows the order of the rule. We believe doing this should assist the reader.

Note; not all issues in the rule are presented.

This is the second of three FY 2027 updates we have analyzed and it contains "Final Decision" sections.

Another major rule that does not contain a table-of-contents, and we are providing one below.

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PROVISIONS OF THE FINAL RULE (Page 9)

A. FY 2027 Hospice Wage Index and Rate Update

The pre-floor and pre-reclassified hospital wage index is used as the raw wage index for the hospice benefit. These raw wage index values are subject to application of the hospice floor to compute the hospice wage index used to determine payments to hospices. The pre-floor, pre-reclassified hospital wage index values below 0.8000 are adjusted by a 15 percent increase subject to a maximum wage index value of 0.8000. (Page 11)

CMS did not propose any changes to finalized hospice floor and 5 percent cap policies. Therefore, the FY 2027 hospice wage index will continue to include the hospice floor as well as the 5 percent cap on wage index decreases. For FY 2027, the 5 percent cap on wage index decreases will also continue to be calculated at the county level. (Page 14)

The hospice wage index applicable for FY 2027 is available on the Hospice Regulations and Notices webpage at: <https://www.cms.gov/medicare/payment/fee-for-service-providers/hospice/hospice-regulations-and-notices>. Go to page 6 at the bottom and click on CMS-1851-P.

Final Decision: After consideration of public comments, CMS is finalizing its proposal to use the FY 2027 pre-floor, pre-reclassified hospital wage index data as the basis for the FY 2027 hospice wage index. The wage index applicable for FY 2027 is available on the CMS website at: <https://www.cms.gov/medicare/payment/fee-for-service-providers/hospice/hospice-wage-index>.

FY 2027 Hospice Payment Update Percentage (Page 19)

Final Decision: Based on the more recent IGI second quarter 2026 forecast with historical data through the first quarter of 2026, the 2023-based IPPS market basket increase factor for FY 2027 is 3.2 percent. The FY 2027 productivity adjustment based on the more recent IGI second quarter 2026 forecast is 0.9 percentage point. Therefore, CMS is finalizing for FY 2027, a hospice payment update percentage of 2.3 percent (3.2 percent market basket percentage increase less a 0.9 percentage point productivity adjustment).

Final FY 2027 Hospice Payment Rates (Page 30)

There are four payment categories that are distinguished by the location and intensity of the hospice services provided. The base payments are adjusted for geographic differences in wages by multiplying the labor share, which varies by category, of each base rate by the applicable hospice wage index. A hospice is paid the routine home care (RHC) rate for each day the beneficiary is enrolled in hospice, unless the hospice provides continuous home care (CHC), inpatient respite care (IRC), or general inpatient care (GIP). CHC is provided during a period of patient crisis to maintain the patient at home; IRC is short-term care to allow the usual caregiver to rest and be relieved from caregiving; and GIP care is intended to treat symptoms that cannot be managed in another setting.

In the FY 2016 Hospice Wage Index and Rate Update final rule, CMS implemented two different RHC payment rates, one RHC rate for the first 60 days and a second RHC rate for day 61 and subsequent days. In addition, in that final rule, CMS implemented a Service Intensity Add-On (SIA) payment for RHC when direct patient care is provided by a registered nurse (RN) or social worker during the last 7 days of the beneficiary's life.

For FY 2027, the proposed SIA budget neutrality factor is 0.9999 for RHC days 1-60 and 0.9999 for RHC days 61+.

The final FY 2027 wage index standardization factors using FY 2025 claims data (as of May 12, 2026) for each level of care are shown in the tables below. (Page 32)

Final FY 2027 Hospice RHC Payment Rates

Code	Description	FY 2026 Payment Rates	SIA Budget Neutrality Factor	Wage Index Standardization Factor	FY 2027 Hospice Payment Update	FY 2027 Payment Rates
651	Routine Home Care (days 1-60)	\$230.83	0.9999	1.0010	1.023	\$236.35
651	Routine Home Care (days 61+)	\$181.94	0.9999	1.0013	1.023	\$186.35

Final FY 2027 Hospice CHC, IRC, and GIP Payment Rates

Code	Description	FY 2026 Payment Rates	Wage Index Standardization Factor	FY 2027 Hospice Payment Update	FY 2027 Payment Rates
652	Continuous Home Care Full Rate = 24 hours of care.	\$1,674.29	1.0080	1.023	\$1,726.50 \$71.94 per hour
655	Inpatient Respite Care	\$532.48	1.0023	1.023	\$545.98
656	General Inpatient Care	\$1,199.86	1.0034	1.023	\$1,231.63

Section 1814(i)(5)(A)(i) of the Act was amended by section 407(b) of Division CC, Title IV of the **Consolidated Appropriations Act** (CAA), 2021 to change the payment reduction for failing to meet hospice quality reporting requirements from 2 to 4 percentage points.

Final FY 2027 Hospice RHC Payment Rates for Hospices That DO NOT Submit the Required Quality Data

Code	Description	FY 2026 Payment Rates	SIA Budget Neutrality Factor	Wage Index Standardization Factor	FY 2027 Hospice Payment Update of 2.3% minus 4 percentage points = - 1.7%	FY 2027 Payment Rates
651	Routine Home Care (days 1-60)	\$230.83	0.9999	1.0010	0.983	\$227.11
651	Routine Home Care (days 61+)	\$181.94	0.9999	1.0013	0.983	\$179.06

Final FY 2027 Hospice CHC, IRC, and GIP Payment Rates for Hospices That DO NOT Submit the Required Quality Data

Code	Description	FY 2026 Payment Rates	Wage Index Standardization Factor	FY 2027 Hospice Payment Update of 2.3% minus 4 percentage points = - 1.7%	FY 2027 Payment Rates
652	Continuous Home Care Full Rate = 24 hours of care.	\$1,674.29	1.0080	0.983	\$1,658.99 \$69.12 per hour
655	Inpatient Respite Care	\$532.48	1.0023	0.983	\$524.63
656	General Inpatient Care	\$1,199.86	1.0034	0.983	\$1,183.47

Hospice Cap Amount for FY 2027 (Page 34)

Final Decision: CMS is finalizing the update to the hospice cap amount for FY 2027 in accordance with statutorily mandated requirements and the proposed regulation text change at § 418.309 to reflect the revisions at section 1814(i)(2)(B) of the Act, which require that, for accounting years that end after September 30, 2016, and before October 1, 2035, the hospice cap amount be updated by the hospice

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3106 Wheatland Farms Ct, Oakton, Virginia 22124
larry004b@gmail.com**

payment update percentage rather than the CPI-U. The final cap amount for the FY 2027 cap year will be **\$36,174.75**, which is equal to the FY 2026 cap amount (\$35,361.44) increased by the final FY 2027 hospice payment update of 2.3 percent

B. Non-Hospice Spending During a Hospice Election (Page 37)

In the FY 2027 Hospice Wage Index proposed rule, CMS provided data on nonhospice spending during a hospice election. Specifically, CMS noted that Medicare paid over \$2.8 billion in non-hospice spending during a hospice election in FY 2024 for items and services under Parts A, B, and D.

Medicare payments for non-hospice Part A and Part B items and services received by hospice beneficiaries during a hospice election increased from nearly \$790 million in FY 2020 to over \$2 billion in FY 2024

The diagnosis code for carrier claims with the largest increase in spending in FY 2024 was for pressure ulcers, largely associated with skin substitutes, which accounted for 47 percent, almost half of the carrier claim spending. Carrier claims for ulcers from FY 2020 to FY 2024 increased by almost 4,000 percent, rising from \$18 million in FY 2020 to \$714 million in FY 2024.

Service and Spending Variation Index (SSVI)

The SSVI is calculated using nine claims-based measures, each representing different aspects of hospice utilization as well as non-hospice spending. To calculate the SSVI score, CMS first determined a threshold for each of the nine metrics. For the non-hospice spending component of the SSVI score, CMS created eight separate thresholds for total non-hospice spending, as the degree to which a hospice spends outside of the hospice benefit can indicate varying levels of concern.

The lowest SSVI score a hospice can receive is zero, that is, a score of zero for each of the nine metrics, and the maximum SSVI score is 16, that is, with the highest points assigned for each of the nine metrics. A higher SSVI score represents a potential higher level of concern, as this may signal potential program integrity risks or inappropriate utilization especially when a hospice's SSVI score is substantially higher than its peers. (Page 50)

CMS' goal is to identify individual hospice vulnerabilities to help focus program integrity efforts, such as conducting medical reviews, providing additional education, and conducting investigations into individual hospices that could result in administrative actions like payment suspension and/or revocation of hospices demonstrating fraudulent behavior.

C. Election Statement Addendum Changes (Page 58)

The purpose of the addendum is to notify the hospice beneficiary (or representative) of those conditions, items, services, and drugs the hospice will not be covering because the hospice has determined they are unrelated to the beneficiary's terminal illness and related conditions. The addendum is subject to review and must be updated, as needed, when the plan of care is updated in accordance with § 418.56. The hospice must provide these updates, in writing, to the beneficiary (or representative).

CMS proposed requiring that hospices provide the hospice election statement addendum to all Medicare beneficiaries at the time of hospice election for hospice elections beginning on or after October 1, 2026.

Final Decision: After considering the public comments received, CMS is finalizing as proposed its proposal to make the election statement addendum mandatory for all hospice elections, not just upon request. (Page 85)

D. Clarifying Regulation Text Changes (Page 85)

Discharge from Hospice Care

CMS proposed conforming additions to § 418.26(b) to state the hospice may also obtain the written physician's discharge order from the physician designee, as defined at § 418.3, or physician member of IDG.

CMS is finalizing the proposed additions to § 418.26(b).

Face-to-Face Encounter (Page 87)

Section 6209(f)(1)(A) of the CAA, 2026 amended section 1814(a)(7)(D)(i)(II) of the Act to extend the use of telehealth by a hospice physician or hospice nurse practitioner to conduct a face-to-face encounter for the sole purpose of recertifying the patient's eligibility for hospice, through December 31, 2027.

Additionally, section 6209(f)(1)(B) of the CAA, 2026 amended section 1814(a)(7)(D)(i)(II) of the Act to include a prohibition on the use of telehealth to conduct the face-to-face encounter in the case of such an encounter with an individual occurring on or after January 31, 2026, if such individual is located in an area that is subject to a moratorium on the enrollment of hospice programs under this title pursuant to section 1866(j)(7) of the Act, if such individual is receiving hospice care from a provider that is subject to enhanced oversight under this title pursuant to section 1866(j)(3) of the Act, or if such encounter is performed by a hospice physician or nurse practitioner who is not enrolled under section 1866(j) of the Act and is not an opt- out physician or practitioner. Section 6209(f)(2) of the CAA, 2026 amended section 1814(a)(7)(D)(i)(II) of the Act to require (for face-to-face encounters conducted via telehealth occurring on or after January 1, 2027) that hospice claims include one or more modifiers or codes (as specified by the Secretary) to indicate that such encounter was conducted via telehealth.

Final Decision: After considering the public comments received, CMS is finalizing as proposed its proposal to amend § 418.22(a)(4)(ii).

E. Requests for Information on Medicare Services and Payment Structure (Page 89)

CMS is requesting information on;

1. Ways to Enhance the Provision of Palliative Care Outside of Hospice Care,
2. Construction of a Hospice Specific Wage Index, and
3. Medical Aid in Dying (MAID)

F. Updates for the Hospice Quality Reporting Program (HQRP) (Page 107)

The following table shows the current quality measures in effect for the FY 2027 HQRP, which were updated and finalized in the FY 2025 Hospice Wage Index and Payment Rate Update final rule.

Quality Measures in Effect for the FY 2027 Hospice Quality Reporting Program

Hospice Quality Reporting Program
Hospice Outcomes and Patient Evaluation (HOPE)
Hospice and Palliative Care Composite Process Measure—Comprehensive Assessment Measure at Admission includes:
1. Patients Treated with an Opioid who are Given a Bowel Regimen 2. Pain Screening 3. Pain Assessment 4. Dyspnea Treatment 5. Dyspnea Screening 6. Treatment Preferences 7. Beliefs/Values Addressed (if desired by the patient)
Administrative Data, including Claims-based Measures
Hospice Visits in the Last Days of Life (HVLDDL)
Hospice Care Index (HCI)
1. Continuous Home Care (CHC) or General Inpatient (GIP) Provided 2. Gaps in Skilled Nursing Visits 3. Early Live Discharges 4. Late Live Discharges 5. Burdensome Transitions (Type 1)—Live Discharges from Hospice Followed by Hospitalization and Subsequent Hospice Readmission 6. Burdensome Transitions (Type 2)—Live Discharges from Hospice Followed by Hospitalization with the Patient Dying in the Hospital 7. Per-beneficiary Medicare Spending 8. Skilled Nursing Care Minutes per Routine Home Care (RHC) Day 9. Skilled Nursing Minutes on Weekends 10. Visits Near Death
CAHPS Hospice Survey
CAHPS Hospice Survey
1. Communication with Family 2. Getting Timely Help 3. Treating Patient with Respect 4. Emotional and Spiritual Support 5. Help for Pain and Symptoms 6. Training Family to Care for Patient 7. Care Preferences 8. Rating of this Hospice 9. Willing to Recommend this Hospice

Despite the Annual Payment Update (APU) penalty increase from 2 percent to 4 percent in FY 2024, CMS says it has not observed a significant improvement in the number of hospices meeting the QRP reporting requirements. In FY 2023, prior to the APU percentage increase to 4 percent, 20.07 percent of hospices were found to be non-compliant with the Hospice Item Set (HIS) reporting requirements. In FY 2024, the first year of the 4 percent APU penalty, 22.06 percent of hospices were found to be non-compliant. In FY 2025, the percentage of non-compliant hospices increased to 23.53 percent and in FY 2026 the percentage of non-compliant hospices was 20.37 percent. (Page 113)

CMS proposed and is adopting adding an icon to provide an incentive for hospices to comply with the quality data submission requirements, while also communicating to consumers that CMS may not have enough data to adequately determine the quality of the hospice. (Page 114)

Final Comments

The addition of the "Final Decisions" material is extremely helpful. This is the second FY 2027 PPS Update to include this item. Please note we have only analyzed 3 of the 5 FY 2027 PPS Updates. Yet, to come are the Inpatient Rehabilitation facilities and the Inpatient Acute Care PPS. One can only hope this feature will become a standard for all CMS rulemaking.

As many commenters noted the market-basket update factor appears to low and the 10-year productivity factor too high. While CMS says it has consistently applied these factors, the agency still opposes adjustments to account for errors in estimation forecasts.

For the most part, this is a well written rule. It would even be better if much of the unneeded history material was deleted.