

WASHINGTON

perspectives

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

July 31, 2026

CMS Finalizes Fiscal Year 2027 Inpatient Rehabilitation Facilities Prospective Payment System Update



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

As required by section 1886(j)(5) of the Act, the final rule includes the classification and weighting factors for the IRF PPS case-mix groups (CMGs), and a description of the methodologies and data used in computing the prospective payment rates for FY 2027.

In addition, the final rule revises § 412.622(a)(3)(ii) to require all therapy treatments and/or therapy evaluations begin no later than 36 hours from midnight on the day of admission (hereafter referred to as the 36-hour requirement); and finalizes requirements for the initial Interdisciplinary Team (IDT) by revising § 412.622(a)(5) to require the initial meeting to occur on or before 4 days from the date the patient is admitted to align with the Plan of Care (POC) timeframe.

For the IRF Quality Reporting Program (QRP), this final rule revises the IRF QRP data submission deadlines beginning with the FY 2029 IRF QRP. Finally, CMS provides summaries of the comments received in response to an RFI on future measure concepts for the IRF QRP.

For the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program (CBP), this rule finalizes a higher bid surety bond amount for a bidding entity submitting a bid in a Remote Item Delivery (RID) competitive bidding area.

Summary of Impact (Page 4)

Cost and Transfers

Provision Description	Transfers/Costs
FY 2027 IRF PPS payment rate update	The overall economic impact of this final rule is an estimated \$340 million increase in payments from the Federal Government to IRFs during FY 2027.
FY 2027 IRF QRP changes	This final rule will not result in any costs or savings to IRFs related to the IRF QRP during FY 2027.

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

SUMMARY OF PROVISIONS OF THE FINAL RULE (Page 10)

The finalized policy changes and updates to the IRF prospective payment rates for FY 2027 are as follows:

- Updates the CMG relative weights and average length of stay values for FY 2027 in a budget neutral manner, as discussed in section IV.
- Updates the IRF PPS payment rates for FY 2027 by the IRF market basket percentage increase, based upon the most current data available, with a productivity adjustment required by section 1886(j)(3)(C)(ii)(I) of the Act, as described in section V.
- Updates the FY 2027 IRF PPS payment rates by the FY 2027 wage index, applying the final year of the phase-out of the rural adjustment for IRFs transitioning from rural to urban, and the labor-related share in a budget-neutral manner, as discussed in section V. .
- Summarizes public comments received on alternative data sources for the wage index, as discussed in section V.
- Describes the calculation of the IRF standard payment conversion factor for FY 2027, as discussed in section V.
- Updates the outlier threshold amount for FY 2027, as discussed in section VII.
- Updates the cost-to-charge ratio (CCR) ceiling and urban/rural average CCRs for FY 2027, as discussed in section VII.
- Requires all therapy treatments and/or therapy evaluations to begin no later than 36-hours from midnight on the day of admission (§ 412.622(a)(3)(ii)), as discussed in section VII.
- Did Not finalize the proposal to require the patient's current functional status is documented in the preadmission screening (§ 412.622(a)(4)(i)(B)), as discussed in section VII.
- Requires the initial Interdisciplinary Team (IDT) meeting to occur on or before 4 days from the date the patient is admitted and align with the POC timeframe (§ 412.622(a)(5)(ii)), as discussed in section VII.
- Summarizes public comments on the RFI on updating the IRF payment system to explore options to modernize the IRF PPS by leveraging the existing clinical classification and comorbidity score methodology used by the SNF PDPM to group patients by case mix, as discussed in section VIII.

The finalized policy change and update to the IRF QRP for FY 2029 is as follows:

- Revises the IRF QRP data submission deadlines.

The finalized policy change and update to the DMEPOS Competitive Bidding Program (CBP) is as follows:

- Updates the bid surety bond requirement to require a higher bid surety bond amount for a bidding entity submitting a bid under a Remote Item Delivery competitive bidding program.

The rule is scheduled for publication in the **Federal Register** on August 3. A copy of the 137-page rule is currently available at: <https://public-inspection.federalregister.gov/2026-15652.pdf>.

Comments

This analysis follows the order of the rule.

Note; not all issues in the rule are presented.

This is the fourth of five FY 2027 updates we have analyzed and unfortunately this one does *not* contain "Final Decision" sections.

Another major rule that does not contain a table-of-contents. We are providing such below.

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UPDATES TO THE CMG RELATIVE WEIGHTS AND AVERAGE LENGTH OF STAY (ALOS) VALUES FOR FY 2027 (Page 14)

In the following table, CMS present the Case-Mix Groups (CMGs), the comorbidity tiers, the corresponding relative weights, and the ALOS values for each CMG and tier for FY 2027. The ALOS for each CMG is used to determine when an IRF discharge meets the definition of a short stay transfer, which results in a per diem case level adjustment.

Relative Weights and Average Length of Stay Values for the Case-Mix Groups

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
0101	Stroke M >=72.50	0.9840	0.8444	0.7705	0.7390	9	9	9	8
0102	Stroke M >=63.50 and M <72.50	1.2541	1.0761	0.9820	0.9418	11	11	10	10
0103	Stroke M >=50.50 and M <63.50	1.6068	1.3788	1.2582	1.2067	13	14	13	13
0104	Stroke M >=41.50 and M <50.50	2.0342	1.7456	1.5929	1.5277	17	17	16	16
0105	Stroke M <41.50 and A >=84.50	2.5889	2.2216	2.0272	1.9443	21	22	19	19
0106	Stroke M <41.50 and A <84.50	2.9548	2.5356	2.3137	2.2190	24	24	22	22
0201	Traumatic brain injury M >=73.50	1.1165	0.8808	0.8082	0.7579	10	9	9	8
0202	Traumatic brain injury M >=61.50 and M <73.50	1.3798	1.0885	0.9988	0.9366	11	12	11	10
0203	Traumatic brain injury M >=49.50 and M <61.50	1.7322	1.3664	1.2539	1.1758	14	14	13	12
0204	Traumatic brain injury M >=35.50 and M <49.50	2.1428	1.6903	1.5511	1.4545	17	17	15	15
0205	Traumatic brain injury M <35.50	2.7719	2.1865	2.0065	1.8815	27	22	19	18
0301	Non-traumatic brain injury M >=65.50	1.2273	0.9413	0.8841	0.8178	10	9	9	9

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

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
0302	Non-traumatic brain injury M >=52.50 and M <65.50	1.5788	1.2109	1.1373	1.0521	13	12	11	11
0303	Non-traumatic brain injury M >=42.50 and M <52.50	1.9169	1.4702	1.3808	1.2774	15	14	13	13
0304	Non-traumatic brain injury M <42.50 and A >=78.50	2.2496	1.7254	1.6205	1.4991	18	16	15	15
0305	Non-traumatic brain injury M <42.50 and A <78.50	2.4408	1.8720	1.7582	1.6265	20	18	17	16
0401	Traumatic spinal cord injury M >=56.50	1.3059	1.1286	1.0544	0.9613	13	12	11	11
0402	Traumatic spinal cord injury M >=47.50 and M <56.50	1.6279	1.4070	1.3144	1.1984	14	13	14	13
0403	Traumatic spinal cord injury M >=41.50 and M <47.50	2.0643	1.7841	1.6667	1.5196	18	17	17	16
0404	Traumatic spinal cord injury M <31.50 and A <61.50	3.1280	2.7035	2.5256	2.3027	24	31	25	18
0405	Traumatic spinal cord injury M >=31.50 and M <41.50	2.5612	2.2136	2.0679	1.8854	23	21	20	20
0406	Traumatic spinal cord injury M >=24.50 and M <31.50 and A >=61.50	3.2074	2.7722	2.5897	2.3611	26	28	24	25
0407	Traumatic spinal cord injury M <24.50 and A >=61.50	4.4884	3.8793	3.6240	3.3041	53	37	32	32
0501	Non-traumatic spinal cord injury M >=60.50	1.2680	1.0034	0.9438	0.8786	12	10	10	10
0502	Non-traumatic spinal cord injury M >=53.50 and M <60.50	1.5561	1.2314	1.1582	1.0783	13	12	12	12
0503	Non-traumatic spinal cord injury M >=48.50 and M <53.50	1.7552	1.3890	1.3064	1.2162	14	14	13	13
0504	Non-traumatic spinal cord injury M >=39.50 and M <48.50	2.1116	1.6710	1.5717	1.4632	19	16	15	15
0505	Non-traumatic spinal cord injury M <39.50	2.9563	2.3396	2.2005	2.0486	24	22	21	20
0601	Neurological M >=64.50	1.3670	1.0009	0.9320	0.8547	10	10	9	9
0602	Neurological M >=52.50 and M <64.50	1.7012	1.2456	1.1598	1.0636	13	12	11	11
0603	Neurological M >=43.50 and M <52.50	1.9963	1.4617	1.3610	1.2481	15	14	13	13
0604	Neurological M <43.50	2.5173	1.8432	1.7162	1.5738	19	17	16	15
0701	Fracture of lower extremity M >=61.50	1.2512	0.9661	0.9064	0.8400	10	10	10	9

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
0702	Fracture of lower extremity M >=52.50 and M <61.50	1.5542	1.2000	1.1258	1.0434	12	12	12	11
0703	Fracture of lower extremity M >=41.50 and M <52.50	1.9322	1.4919	1.3997	1.2972	15	15	14	13
0704	Fracture of lower extremity M <41.50	2.3857	1.8420	1.7282	1.6016	19	18	17	16
0801	Replacement of lower-extremity joint M >=63.50	1.2013	0.9653	0.8845	0.8402	10	9	9	9
0802	Replacement of lower-extremity joint M >=57.50 and M <63.50	1.3646	1.0965	1.0047	0.9543	11	11	10	10
0803	Replacement of lower-extremity joint M >=51.50 and M <57.50	1.5066	1.2106	1.1093	1.0536	12	11	11	11
0804	Replacement of lower-extremity joint M >=42.50 and M <51.50	1.7149	1.3780	1.2627	1.1993	14	13	12	12
0805	Replacement of lower-extremity joint M <42.50	2.1041	1.6907	1.5492	1.4715	17	16	15	14
0901	Other orthopedic M >=63.50	1.2051	0.9364	0.8840	0.8192	10	10	9	9
0902	Other orthopedic M >=51.50 and M <63.50	1.5311	1.1898	1.1232	1.0408	12	12	11	11
0903	Other orthopedic M >=44.50 and M <51.50	1.8068	1.4040	1.3254	1.2282	14	13	13	13
0904	Other orthopedic M <44.5	2.1986	1.7085	1.6129	1.4945	17	16	16	15
1001	Amputation lower extremity M >=64.50	1.2123	1.0256	0.9170	0.8331	10	11	10	9
1002	Amputation lower extremity M >=55.50 and M <64.50	1.4955	1.2651	1.1312	1.0277	13	12	12	11
1003	Amputation lower extremity M >=47.50 and M <55.50	1.8249	1.5438	1.3804	1.2540	15	14	14	13
1004	Amputation lower extremity M <47.50	2.3320	1.9727	1.7640	1.6025	18	19	17	16
1101	Amputation non-lower extremity M >=58.50	1.2244	1.0493	1.0088	0.8971	10	11	11	9
1102	Amputation non-lower extremity M >=52.50 and M <58.50	1.5710	1.3463	1.2943	1.1510	12	13	13	10
1103	Amputation non-lower extremity M <52.50	1.9470	1.6685	1.6041	1.4265	18	15	16	12
1201	Osteoarthritis M >=61.50	1.1403	0.9834	0.8936	0.8380	10	10	9	9
1202	Osteoarthritis M >=49.50 and M <61.50	1.4187	1.2235	1.1118	1.0426	12	14	11	11

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
1203	Osteoarthritis M <49.50 and A >=74.50	1.8950	1.6343	1.4851	1.3926	15	16	15	14
1204	Osteoarthritis M <49.50 and A <74.50	1.8825	1.6235	1.4753	1.3834	16	15	15	13
1301	Rheumatoid other arthritis M >=62.50	1.1941	0.9173	0.9079	0.8282	10	7	9	9
1302	Rheumatoid other arthritis M >=51.50 and M <62.50	1.5770	1.2114	1.1990	1.0938	13	12	11	11
1303	Rheumatoid other arthritis M >=44.50 and M <51.50 and A >=64.50	1.8230	1.4004	1.3860	1.2644	15	13	13	13
1304	Rheumatoid other arthritis M <44.50 and A >=64.50	2.2795	1.7510	1.7331	1.5810	16	18	16	15
1305	Rheumatoid other arthritis M <51.50 and A <64.50	2.1614	1.6603	1.6433	1.4991	16	15	16	15
1401	Cardiac M >=68.50	1.1244	0.9033	0.8245	0.7556	10	9	9	8
1402	Cardiac M >=55.50 and M <68.50	1.4297	1.1485	1.0484	0.9607	12	11	10	10
1403	Cardiac M >=45.50 and M <55.50	1.7412	1.3988	1.2769	1.1701	14	13	12	12
1404	Cardiac M <45.50	2.1229	1.7054	1.5568	1.4266	18	16	15	14
1501	Pulmonary M >=68.50	1.3297	1.0507	0.9939	0.9370	12	10	9	9
1502	Pulmonary M >=56.50 and M <68.50	1.6569	1.3093	1.2384	1.1676	13	12	11	11
1503	Pulmonary M >=45.50 and M <56.50	1.8972	1.4991	1.4180	1.3369	14	13	13	12
1504	Pulmonary M <45.50	2.3451	1.8531	1.7528	1.6525	19	17	15	15
1601	Pain syndrome M >=65.50	1.1594	0.8862	0.8052	0.7377	9	9	9	8
1602	Pain syndrome M >=58.50 and M <65.50	1.3972	1.0681	0.9704	0.8891	11	11	10	10
1603	Pain syndrome M >=43.50 and M <58.50	1.8108	1.3842	1.2576	1.1522	13	14	13	13
1604	Pain syndrome M <43.50	2.3324	1.7830	1.6199	1.4841	15	16	16	15
1701	Major multiple trauma without brain or spinal cord injury M >=57.50	1.4146	1.0364	0.9600	0.8916	11	10	10	10
1702	Major multiple trauma without brain or spinal cord injury M >=50.50 and M <57.50	1.7530	1.2844	1.1896	1.1049	14	14	12	12

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
1703	Major multiple trauma without brain or spinal cord injury M $\geq$ 41.50 and M $<$ 50.50	2.0456	1.4988	1.3882	1.2893	16	15	14	13
1704	Major multiple trauma without brain or spinal cord injury M $\geq$ 36.50 and M $<$ 41.50	2.3387	1.7135	1.5871	1.4740	18	17	15	15
1705	Major multiple trauma without brain or spinal cord injury M $<$ 36.50	2.7867	2.0417	1.8911	1.7564	22	19	18	17
1801	Major multiple trauma with brain or spinal cord injury M $\geq$ 67.50	1.1494	0.9172	0.8529	0.7868	10	11	9	9
1802	Major multiple trauma with brain or spinal cord injury M $\geq$ 55.50 and M $<$ 67.50	1.4488	1.1561	1.0750	0.9918	13	12	11	11
1803	Major multiple trauma with brain or spinal cord injury M $\geq$ 45.50 and M $<$ 55.50	1.8351	1.4644	1.3617	1.2562	14	15	14	13
1804	Major multiple trauma with brain or spinal cord injury M $\geq$ 40.50 and M $<$ 45.50	2.0710	1.6526	1.5367	1.4177	17	16	15	15
1805	Major multiple trauma with brain or spinal cord injury M $\geq$ 30.50 and M $<$ 40.50	2.5062	1.9999	1.8597	1.7156	22	20	18	17
1806	Major multiple trauma with brain or spinal cord injury M $<$ 30.50	3.5548	2.8366	2.6378	2.4334	38	27	24	23
1901	Guillain-Barré M $\geq$ 66.50	1.0733	0.9529	0.8489	0.8266	13	11	9	9
1902	Guillain-Barré M $\geq$ 51.50 and M $<$ 66.50	1.5683	1.3924	1.2404	1.2078	18	15	13	12
1903	Guillain-Barré M $\geq$ 38.50 and M $<$ 51.50	2.2393	1.9881	1.7711	1.7245	23	19	17	18
1904	Guillain-Barré M $<$ 38.50	3.3989	3.0177	2.6883	2.6175	37	29	25	25
2001	Miscellaneous M $\geq$ 66.50	1.2079	0.9497	0.8735	0.8112	10	10	9	9
2002	Miscellaneous M $\geq$ 55.50 and M $<$ 66.50	1.4961	1.1763	1.0819	1.0048	12	11	11	10
2003	Miscellaneous M $\geq$ 46.50 and M $<$ 55.50	1.7739	1.3947	1.2828	1.1913	14	14	13	12
2004	Miscellaneous M $<$ 46.50 and A $\geq$ 77.50	2.1382	1.6811	1.5462	1.4360	17	16	15	15
2005	Miscellaneous M $<$ 46.50 and A $<$ 77.50	2.2762	1.7895	1.6460	1.5286	18	17	16	15
2101	Burns M $\geq$ 52.50	1.6233	1.3063	1.2264	1.0448	11	15	13	11

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

CMG	CMG Description (M=motor, A=age)	Relative Weight				Average Length of Stay			
		Tier 1	Tier 2	Tier 3	No Comorbidity Tier	Tier 1	Tier 2	Tier 3	No Comorbidity Tier
2102	Burns M <52.50	2.4574	1.9776	1.8566	1.5817	14	20	18	15
5001	Short-stay cases, length of stay is 3 days or fewer	0.0000	0.0000	0.0000	0.1759	0	0	0	3
5101	Expired, orthopedic, length of stay is 13 days or fewer	0.0000	0.0000	0.0000	0.8653	0	0	0	8
5102	Expired, orthopedic, length of stay is 14 days or more	0.0000	0.0000	0.0000	1.9494	0	0	0	18
5103	Expired, not orthopedic, length of stay is 15 days or fewer	0.0000	0.0000	0.0000	0.9515	0	0	0	9
5104	Expired, not orthopedic, length of stay is 16 days or more	0.0000	0.0000	0.0000	2.2711	0	0	0	20

FY 2027 IRF PPS PAYMENT UPDATE (Page 23)

FY 2027 Market Basket Update

Based on IGI's second quarter 2026 forecast with historical data through the first quarter of 2026, the 2021-based IRF market basket percentage increase for FY 2027 is **3.2 percent**.

Using IGI's second quarter 2026 forecast, the 10-year moving average growth of the total factor productivity (TFP) for FY 2027 is projected to be **0.9 percent**.

The more recent data provides a FY 2027 IRF update equal to **2.3 percent** (3.2 percent IRF market basket percentage increase reduced by the 0.9 percentage point productivity adjustment).

FY 2027 IRF Labor-Related Share (Page 34)

CMS is finalizing a FY 2027 labor-related share of 74.3 percent as shown in the table below;

	FY 2027 Final Labor-Related Share	FY 2026 Final Labor-Related Share
Wages and Salaries	49.3	49.4
Employee Benefits	11.8	11.8
Professional Fees: Labor-Related ³	5.5	5.5
Administrative and Facilities Support Services	0.7	0.7
Installation, Maintenance, and Repair Services	1.5	1.5
All Other: Labor-Related Services	1.8	1.8
Subtotal	70.6	70.7
Labor-related portion of Capital-Related (46%)	3.7	3.7
Total Labor-Related Share	74.3	74.4

Wage Adjustment for FY 2027 (Page 37)

The wage index tables are available on the CMS website at:

<https://www.cms.gov/medicare/payment/prospective-payment-systems/inpatient-rehabilitation/rules-related-files>

This rule finalizes the third and final year of the 3-year budget-neutral phaseout of the rural adjustment (14.9%) for IRFs that transitioned from rural to urban designation as of FY 2024, begun in the FY 2025 rule. Beginning FY 2027, these facilities receive the full FY 2027 wage index with no further rural adjustment.

Description of the IRF Standard Payment Conversion Factor Methodology and Payment Rates for FY 2027 (Page 49)

The following table explains CMS' calculations in determining the FY 2027 conversion factor. (Page 50)

Calculations to Determine the FY 2027 IRF Standard Payment Conversion Factor

Explanation for Adjustment	Calculations
FY 2026 IRF Standard Payment Conversion Factor	\$19,371
Market Basket Update for FY 2027 of 2.3 percent*	x 1.0230
Budget Neutrality Factor for the Updates to the Wage Index and Labor-Related Share	x 1.0036
Budget Neutrality Factor for the Revisions to the CMG Relative Weights	x 0.9990
FY 2027 Standard Payment Conversion Factor	= \$19,868

*Reflects a FY 2027 3.2 percent IRF market basket percentage increase reduced by 0.9 percentage point for the productivity adjustment as required by section 1886(j)(3)(C)(ii)(I) of the Act.

CMS applies the CMG relative weights to the FY 2027 standard payment conversion factor (\$19,868), to determine the unadjusted IRF prospective payment rates for FY 2027. The unadjusted IRF prospective payment rates are shown below. (Page 51)

FY 2027 IRF PPS Payment Rates

CMG	Payment Rate Tier 1	Payment Rate Tier 2	Payment Rate Tier 3	Payment Rate No Comorbidity
0101	\$ 19,550.11	\$ 16,776.54	\$ 15,308.29	\$ 14,682.45
0102	\$ 24,916.46	\$ 21,379.95	\$ 19,510.38	\$ 18,711.68
0103	\$ 31,923.90	\$ 27,394.00	\$ 24,997.92	\$ 23,974.72
0104	\$ 40,415.49	\$ 34,681.58	\$ 31,647.74	\$ 30,352.34
0105	\$ 51,436.27	\$ 44,138.75	\$ 40,276.41	\$ 38,629.35
0106	\$ 58,705.97	\$ 50,377.30	\$ 45,968.59	\$ 44,087.09
0201	\$ 22,182.62	\$ 17,499.73	\$ 16,057.32	\$ 15,057.96
0202	\$ 27,413.87	\$ 21,626.32	\$ 19,844.16	\$ 18,608.37
0203	\$ 34,415.35	\$ 27,147.64	\$ 24,912.49	\$ 23,360.79
0204	\$ 42,573.15	\$ 33,582.88	\$ 30,817.25	\$ 28,898.01
0205	\$ 55,072.11	\$ 43,441.38	\$ 39,865.14	\$ 37,381.64

CMG	Payment Rate Tier 1	Payment Rate Tier 2	Payment Rate Tier 3	Payment Rate No Comorbidity
0301	\$ 24,384.00	\$ 18,701.75	\$ 17,565.30	\$ 16,248.05
0302	\$ 31,367.60	\$ 24,058.16	\$ 22,595.88	\$ 20,903.12
0303	\$ 38,084.97	\$ 29,209.93	\$ 27,433.73	\$ 25,379.38
0304	\$ 44,695.05	\$ 34,280.25	\$ 32,196.09	\$ 29,784.12
0305	\$ 48,493.81	\$ 37,192.90	\$ 34,931.92	\$ 32,315.30
0401	\$ 25,945.62	\$ 22,423.02	\$ 20,948.82	\$ 19,099.11
0402	\$ 32,343.12	\$ 27,954.28	\$ 26,114.50	\$ 23,809.81
0403	\$ 41,013.51	\$ 35,446.50	\$ 33,114.00	\$ 30,191.41
0404	\$ 62,147.10	\$ 53,713.14	\$ 50,178.62	\$ 45,750.04
0405	\$ 50,885.92	\$ 43,979.80	\$ 41,085.04	\$ 37,459.13
0406	\$ 63,724.62	\$ 55,078.07	\$ 51,452.16	\$ 46,910.33
0407	\$ 89,175.53	\$ 77,073.93	\$ 72,001.63	\$ 65,645.86
0501	\$ 25,192.62	\$ 19,935.55	\$ 18,751.42	\$ 17,456.02
0502	\$ 30,916.59	\$ 24,465.46	\$ 23,011.12	\$ 21,423.66
0503	\$ 34,872.31	\$ 27,596.65	\$ 25,955.56	\$ 24,163.46
0504	\$ 41,953.27	\$ 33,199.43	\$ 31,226.54	\$ 29,070.86
0505	\$ 58,735.77	\$ 46,483.17	\$ 43,719.53	\$ 40,701.58
0601	\$ 27,159.56	\$ 19,885.88	\$ 18,516.98	\$ 16,981.18
0602	\$ 33,799.44	\$ 24,747.58	\$ 23,042.91	\$ 21,131.60
0603	\$ 39,662.49	\$ 29,041.06	\$ 27,040.35	\$ 24,797.25
0604	\$ 50,013.72	\$ 36,620.70	\$ 34,097.46	\$ 31,268.26
0701	\$ 24,858.84	\$ 19,194.47	\$ 18,008.36	\$ 16,689.12
0702	\$ 30,878.85	\$ 23,841.60	\$ 22,367.39	\$ 20,730.27
0703	\$ 38,388.95	\$ 29,641.07	\$ 27,809.24	\$ 25,772.77
0704	\$ 47,399.09	\$ 36,596.86	\$ 34,335.88	\$ 31,820.59
0801	\$ 23,867.43	\$ 19,178.58	\$ 17,573.25	\$ 16,693.09
0802	\$ 27,111.87	\$ 21,785.26	\$ 19,961.38	\$ 18,960.03
0803	\$ 29,933.13	\$ 24,052.20	\$ 22,039.57	\$ 20,932.92
0804	\$ 34,071.63	\$ 27,378.10	\$ 25,087.32	\$ 23,827.69
0805	\$ 41,804.26	\$ 33,590.83	\$ 30,779.51	\$ 29,235.76
0901	\$ 23,942.93	\$ 18,604.40	\$ 17,563.31	\$ 16,275.87
0902	\$ 30,419.89	\$ 23,638.95	\$ 22,315.74	\$ 20,678.61
0903	\$ 35,897.50	\$ 27,894.67	\$ 26,333.05	\$ 24,401.88
0904	\$ 43,681.78	\$ 33,944.48	\$ 32,045.10	\$ 29,692.73
1001	\$ 24,085.98	\$ 20,376.62	\$ 18,218.96	\$ 16,552.03
1002	\$ 29,712.59	\$ 25,135.01	\$ 22,474.68	\$ 20,418.34

CMG	Payment Rate Tier 1	Payment Rate Tier 2	Payment Rate Tier 3	Payment Rate No Comorbidity
1003	\$ 36,257.11	\$ 30,672.22	\$ 27,425.79	\$ 24,914.47
1004	\$ 46,332.18	\$ 39,193.60	\$ 35,047.15	\$ 31,838.47
1101	\$ 24,326.38	\$ 20,847.49	\$ 20,042.84	\$ 17,823.58
1102	\$ 31,212.63	\$ 26,748.29	\$ 25,715.15	\$ 22,868.07
1103	\$ 38,683.00	\$ 33,149.76	\$ 31,870.26	\$ 28,341.70
1201	\$ 22,655.48	\$ 19,538.19	\$ 17,754.04	\$ 16,649.38
1202	\$ 28,186.73	\$ 24,308.50	\$ 22,089.24	\$ 20,714.38
1203	\$ 37,649.86	\$ 32,470.27	\$ 29,505.97	\$ 27,668.18
1204	\$ 37,401.51	\$ 32,255.70	\$ 29,311.26	\$ 27,485.39
1301	\$ 23,724.38	\$ 18,224.92	\$ 18,038.16	\$ 16,454.68
1302	\$ 31,331.84	\$ 24,068.10	\$ 23,821.73	\$ 21,731.62
1303	\$ 36,219.36	\$ 27,823.15	\$ 27,537.05	\$ 25,121.10
1304	\$ 45,289.11	\$ 34,788.87	\$ 34,433.23	\$ 31,411.31
1305	\$ 42,942.70	\$ 32,986.84	\$ 32,649.08	\$ 29,784.12
1401	\$ 22,339.58	\$ 17,946.76	\$ 16,381.17	\$ 15,012.26
1402	\$ 28,405.28	\$ 22,818.40	\$ 20,829.61	\$ 19,087.19
1403	\$ 34,594.16	\$ 27,791.36	\$ 25,369.45	\$ 23,247.55
1404	\$ 42,177.78	\$ 33,882.89	\$ 30,930.50	\$ 28,343.69
1501	\$ 26,418.48	\$ 20,875.31	\$ 19,746.81	\$ 18,616.32
1502	\$ 32,919.29	\$ 26,013.17	\$ 24,604.53	\$ 23,197.88
1503	\$ 37,693.57	\$ 29,784.12	\$ 28,172.82	\$ 26,561.53
1504	\$ 46,592.45	\$ 36,817.39	\$ 34,824.63	\$ 32,831.87
1601	\$ 23,034.96	\$ 17,607.02	\$ 15,997.71	\$ 14,656.62
1602	\$ 27,759.57	\$ 21,221.01	\$ 19,279.91	\$ 17,664.64
1603	\$ 35,976.97	\$ 27,501.29	\$ 24,986.00	\$ 22,891.91
1604	\$ 46,340.12	\$ 35,424.64	\$ 32,184.17	\$ 29,486.10
1701	\$ 28,105.27	\$ 20,591.20	\$ 19,073.28	\$ 17,714.31
1702	\$ 34,828.60	\$ 25,518.46	\$ 23,634.97	\$ 21,952.15
1703	\$ 40,641.98	\$ 29,778.16	\$ 27,580.76	\$ 25,615.81
1704	\$ 46,465.29	\$ 34,043.82	\$ 31,532.50	\$ 29,285.43
1705	\$ 55,366.16	\$ 40,564.50	\$ 37,572.37	\$ 34,896.16
1801	\$ 22,836.28	\$ 18,222.93	\$ 16,945.42	\$ 15,632.14
1802	\$ 28,784.76	\$ 22,969.39	\$ 21,358.10	\$ 19,705.08
1803	\$ 36,459.77	\$ 29,094.70	\$ 27,054.26	\$ 24,958.18
1804	\$ 41,146.63	\$ 32,833.86	\$ 30,531.16	\$ 28,166.86
1805	\$ 49,793.18	\$ 39,734.01	\$ 36,948.52	\$ 34,085.54

CMG	Payment Rate Tier 1	Payment Rate Tier 2	Payment Rate Tier 3	Payment Rate No Comorbidity
1806	\$ 70,626.77	\$ 56,357.57	\$ 52,407.81	\$ 48,346.79
1901	\$ 21,324.32	\$ 18,932.22	\$ 16,865.95	\$ 16,422.89
1902	\$ 31,158.98	\$ 27,664.20	\$ 24,644.27	\$ 23,996.57
1903	\$ 44,490.41	\$ 39,499.57	\$ 35,188.21	\$ 34,262.37
1904	\$ 67,529.35	\$ 59,955.66	\$ 53,411.14	\$ 52,004.49
2002	\$ 29,724.51	\$ 23,370.73	\$ 21,495.19	\$ 19,963.37
2003	\$ 35,243.85	\$ 27,709.90	\$ 25,486.67	\$ 23,668.75
2004	\$ 42,481.76	\$ 33,400.09	\$ 30,719.90	\$ 28,530.45
2005	\$ 45,223.54	\$ 35,553.79	\$ 32,702.73	\$ 30,370.22
2101	\$ 32,251.72	\$ 25,953.57	\$ 24,366.12	\$ 20,758.09
2102	\$ 48,823.62	\$ 39,290.96	\$ 36,886.93	\$ 31,425.22
5001	\$ -	\$ -	\$ -	\$ 3,494.78
5101	\$ -	\$ -	\$ -	\$ 17,191.78
5102	\$ -	\$ -	\$ -	\$ 38,730.68
5103	\$ -	\$ -	\$ -	\$ 18,904.40
5104	\$ -	\$ -	\$ -	\$ 45,122.21

UPDATE TO PAYMENTS FOR HIGH-COST OUTLIERS UNDER THE IRF PPS FOR FY 2027

(Page 56)

Update to the Outlier Threshold Amount for FY 2027

The outlier threshold is adjusted either up or down until the estimated outlier payments equal 3 percent of the estimated aggregate payments. Based on an analysis of the preliminary data used for the proposed rule, CMS estimated that IRF outlier payments as a percentage of total estimated payments would be approximately 2.6 percent in FY 2026.

CMS proposed to update the outlier threshold amount from \$10,141 for FY 2026 to \$8,689 for FY 2027 to maintain estimated outlier payments at approximately 3 percent of total estimated aggregate IRF payments for FY 2027.

CMS is finalizing the outlier threshold amount of **\$8,857** to maintain estimated outlier payments at approximately 3 percent of total estimated aggregate IRF payments.

PROPOSALS TO REVISE THE BASIS OF PAYMENT REQUIREMENTS (Page 62)

Initiation of Therapies No Later Than 36-Hours from Admission

CMS proposed and is finalizing revisions to § 412.622(a)(3)(ii) to require that all therapy treatments and/or therapy evaluations must begin no later than 36 hours after midnight on the day of admission. The 36-hour requirement applies to all therapies and/or therapy evaluations that are ordered at admission, which may occur by a rehabilitation physician concurring with the preadmission screening (PAS) or ordering additional therapies at admission. Additional therapies that the rehabilitation physician

may order after the 36 hours following midnight of the day of admission are not part of the 36-hour requirement. (Page 67)

Updated Documentation of Current Functional Status in the PAS (Page 68)

CMS will not be finalizing this proposal as it pursues adding increased specificity to the policy.

Initial Interdisciplinary Team Meeting (Page 70)

The current IDT meeting policy (42 CFR 412.622(a)(5)) states that IDT meetings must occur “at least once per week throughout the duration of the patient’s stay,” with a “week” defined as a period of 7 consecutive calendar days beginning with the date of admission to the IRF” (§ 412.622(c)).

CMS is finalizing the 4-day IDT policy with a clarification. CMS will revise § 412.622(a)(5)(ii) as proposed to specify that the initial IDT meeting shall occur on or before the fourth day the patient is admitted to implement appropriate treatment services; establish or review the patient’s stated rehabilitation goals; and identify any problems that could impede goals. The initial IDT would be in coordination with the development and timing of the patient’s start of therapy (per the 36-hour requirement) and the plan of care (POC). To clarify, day 1 is considered the day of admission – hence, if a patient is admitted at 1 p.m. on a Thursday, they would have until Sunday at 11:59 p.m. (4 days after admission) to conduct the patient’s initial IDT meeting. (Page 82)

REQUEST FOR INFORMATION REGARDING FUTURE IRF PAYMENT Reform (Page 84)

CMS believes refinements to the IRF clinical categories and comorbidity groupings are necessary to support continued payment reform under section 1886(j) of the Act, which would contribute to overall payment reform.

CMS is seeking info on:

1. Potential Changes to IRF Patient Clinical Classification
2. Potential Changes to IRF PPS Comorbidities

INPATIENT REHABILITATION FACILITY (IRF) QUALITY REPORTING PROGRAM (QRP) (Page 94)

The IRF QRP currently has 15 adopted measures, which are listed below.

Short Name	Measure Name & Data Source
Inpatient Rehabilitation Facility – Patient Assessment Instrument (IRF-PAI) Assessment-Based Measures	
Pressure Ulcer/Injury	Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury
Application of Falls	Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay)
Discharge Mobility Score	IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients
Discharge Self-Care Score	IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients
DRR	Drug Regimen Review Conducted with Follow-Up for Identified Issues–Post Acute Care (PAC) Inpatient Rehabilitation Facility (IRF) Quality Reporting Program (QRP)

Short Name	Measure Name & Data Source
TOH-Provider	Transfer of Health Information to the Provider–Post-Acute Care (PAC)
TOH-Patient	Transfer of Health Information to the Patient–Post-Acute Care (PAC)
DC Function	Discharge Function Score
National Healthcare Safety Network	
CAUTI	National Healthcare Safety Network (NHSN) Catheter-Associated Urinary Tract Infection Outcome Measure
CDI	National Healthcare Safety Network (NHSN) Facility-wide Inpatient Hospital-onset <i>Clostridium difficile</i> Infection (CDI) Outcome Measure
HCP Influenza Vaccine	Influenza Vaccination Coverage among Healthcare Personnel
Claims-Based	
MSPB IRF	Medicare Spending Per Beneficiary (MSPB)–Post Acute Care (PAC) IRF QRP
DTC	Discharge to Community–PAC IRF QRP
PPR 30 day	Potentially Preventable 30-Day Post-Discharge Readmission Measure for IRF QRP
PPR Within Stay	Potentially Preventable Within Stay Readmission Measure for IRFs

Revise IRF QRP Data Submission Deadlines Beginning With the FY 2029 IRF QRP (Page 98)

CMS is finalizing revised IRF-PAI data submission deadlines beginning with the FY 2029 IRF QRP (shortening/aligning timeframes analogous to the recent 4.5-month → 45-day change already made for certain assessment data). CMS's impact analysis found only about 0.72 percent of IRF-PAI assessments would be affected by the new deadline.

Final Comments

The discussion of outliers continues to garner much concern. First, CMS says it underpaid outliers in FY 2026. Paid 2.6 percent rather than the estimated 3.0 percent. Obviously, this is why the proposed FY 2027 outlier cost threshold was reduced to \$8,689. However, CMS has now finalized a FY 2027 threshold of \$8,857.

Two items here. First, why the increase from \$8,689 to \$8,857? Second, CMS' rationale in setting outlier thresholds is for lack of a better term, "Warped". The continuing excuses to adjust payment errors by modifying prospective years numbers does not achieve payment equity. It simply ignores the situation at hand and kicks the can down the road.

The same is true of market-basket increases. Except for the skilled nursing PPS, which has a limited adjustment methodology, CMS just ignores making adjustments for potential errors in its estimations. It is difficult to believe inflation for much of the health care industry remains so low.

Here is another rule with too much unneeded historical information that just adds volumes of pages for the reader to digest.

CMS says it wants an efficient healthcare system, yet its own regulations provide much hinderance to achieving a more rewarding system.

Quality continues to be a major driver in setting payments. While this year's quality reporting changes are minimal, the question continues about the growing extent of these measures. Are they achieving quality or are they simply a method to further reduce payments?