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

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CMS Releases Final FY 2026 Inpatient Psychiatric Facility PPS Update

The Centers for Medicare and Medicaid Services (CMS) have issued a final rule to update the Medicare Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS) for Fiscal Year (FY) 2026.

A copy of the 153-page document is available at: https://public-inspection.federalregister.gov/2024-16909.pdf. The rule is scheduled for publication in the August 5 ***Federal Register***.

Addendum A summarizes the fiscal year (FY) 2026 IPF PPS payment rates, outlier threshold, cost of living adjustment factors (COLA) for Alaska and Hawaii, national and upper limit cost-to-charge ratios, and adjustment factors. In addition, Addendum B shows the complete listing of ICD–10 Clinical Modification (CM) and Procedure Coding System (PCS) codes, the FY 2026 IPF PPS comorbidity adjustment, and electroconvulsive therapy (ECT) procedure codes. Addenda A and B are available on the CMS website at: https://www.cms.gov/medicare/payment/prospective-payment-systems/inpatient-psychiatric-facility/tools-and-worksheets

Tables setting forth the FY 2026 Wage Index for Urban Areas Based on Core Based Statistical Area (CBSA) Labor Market Areas, the FY 2026 Wage Index Based on CBSA Labor Market Areas for Rural Areas, and the FY 2026 CBSA Labor Market Areas are available exclusively through the internet, on the CMS website at: https://www.cms.gov/medicare/payment/prospective-payment-systems/inpatient-psychiatric-facility/wage-index.

Comment

Once again a rule with no table of contents. As usual we are adding page numbers from the display copy of the rule.

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Summary of Major Provisions (Page 3)

For the Final FY 2026 IPF PPS, CMS is finalizing its proposals to:

- Revise the facility-level IPF PPS adjustment factors for teaching status and for IPFs located in rural areas.
- Make technical rate setting updates: The IPF PPS payment rates will be adjusted annually for input price inflation, as well as statutory and other policy factors.

The rule updates:

++ The IPF PPS Federal per diem base rate from $876.53 to $892.87.
++ The IPF PPS Federal per diem base rate for providers who failed to report quality data to $875.44.
++ The electroconvulsive therapy (ECT) payment per treatment from $661.52 to $673.85.
++ The ECT payment per treatment for providers who failed to report quality data to $660.70.
++ The labor-related share from 78.8 percent to 79.0 percent.
++ The wage index budget neutrality factor to 1.0011. This final rule applies a refinement standardization factor of 0.9927.
++ The fixed dollar loss threshold amount from $38,110 to $39,360, to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF PPS payments.

For the Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program,

- CMS is finalizing its proposals to modify the reporting period of the 30-Day Risk-Standardized All Cause Emergency Department (ED) Visit Following an IPF Discharge measure.
- Removing the Facility Commitment to Health Equity measure.
- Removing the COVID–19 Vaccination Coverage Among Healthcare Personnel (HCP) measure.
- Removing the Screening for Social Drivers of Health and Screen Positive Rate for Social Drivers of Health measures.
- Updating and codifying changes to the Extraordinary Circumstances Exception (ECE) policy.

In addition, CMS is summarizing comments received on three topics through requests for information on a potential future star rating system for IPFs, future measure concepts for the IPFQR Program, and on using the Fast Healthcare Interoperability Resources® (FHIR®) standard for electronic exchange of healthcare information for patient assessment reporting.

Summary of Impacts (Page 4)

Provision Description	Total Transfers & Cost Reductions
FY 2026 IPF PPS payment update	FY 2026 IPF PPS payment update The overall economic impact of this final rule is an estimated **$70 million** in increased payments to IPFs
IPFQR Program update, including measure removals	CMS estimates a cost reduction of $1,746,474 ($1,731,712 in CY 2026 and a further $14,761 in CY 2027) for facilities and patients due to the policies being finalized for the IPFQR Program.

PROVISIONS OF THE FY 2026 IPF PPS FINAL RULE AND RESPONSES TO COMMENTS

FY 2025 IPF Market Basket Update

Based on more recent IGI second quarter 2025 forecast with historical data through the first quarter of 2025, the projected 2021-based IPF market basket increase factor for FY 2026 is **3.2 percent**, which is unchanged from the projected FY 2026 market basket increase factor in the proposed rule. (Page 23)

Using IGI's second quarter 2025 forecast, the 10-year moving average growth of TFP for FY 2026 is projected to be **-0.7 percent.**

Therefore, the final FY 2026 IPF update is equal to **2.5 percent** (3.2 percent market basket update reduced by the 0.7 percentage point productivity adjustment).

FY 2026 IRF PPS PAYMENT UPDATE (Page 21)

In Table 2, below, "Relative Weights and Average Length of Stay Values for Case -Mix Groups," CMS presents the CMGs, the comorbidity tiers, the corresponding relative weights, and the ALOS values for each CMG and tier for FY 2026.

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 (Page 16)

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	0.9669	0.8586	0.7779	0.7379	8	9	9	8
0102	Stroke M >=63.50 and M <72.50	1.2306	1.0928	0.9901	0.9392	11	11	11	10
0103	Stroke M >=50.50 and M <63.50	1.5798	1.4029	1.2710	1.2056	14	15	13	13
0104	Stroke M >=41.50 and M <50.50	2.0177	1.7918	1.6234	1.5398	16	17	16	16
0105	Stroke M <41.50 and A >=84.50	2.5146	2.2330	2.0231	1.9190	23	21	20	19
0106	Stroke M <41.50 and A <84.50	2.8325	2.5153	2.2789	2.1616	24	24	22	22
0201	Traumatic brain injury M >=73.50	1.0614	0.8440	0.7710	0.7244	10	9	8	9
0202	Traumatic brain injury M >=61.50 and M <73.50	1.3861	1.1021	1.0069	0.9460	12	11	11	10
0203	Traumatic brain injury M >=49.50 and M <61.50	1.7233	1.3702	1.2518	1.1761	14	14	13	12
0204	Traumatic brain injury M >=35.50 and M <49.50	2.1239	1.6887	1.5428	1.4495	17	17	15	15
0205	Traumatic brain injury M <35.50	2.7248	2.1665	1.9793	1.8596	28	22	19	18
0301	Non-traumatic brain injury M >=65.50	1.1939	0.9462	0.8822	0.8259	10	10	9	9
0302	Non-traumatic brain injury M >=52.50 and M <65.50	1.5445	1.2241	1.1412	1.0683	12	12	11	11
0303	Non-traumatic brain injury M >=42.50 and M <52.50	1.8262	1.4474	1.3494	1.2633	14	14	13	13
0304	Non-traumatic brain injury M <42.50 and A >=78.50	2.1635	1.7147	1.5985	1.4965	18	17	16	15
0305	Non-traumatic brain injury M <42.50 and A <78.50	2.3699	1.8783	1.7511	1.6393	19	19	17	16
0401	Traumatic spinal cord injury M >=56.50	1.3548	1.1074	1.0783	0.9757	12	12	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
0402	Traumatic spinal cord injury M >=47.50 and M <56.50	1.6985	1.3883	1.3518	1.2232	15	14	14	13
0403	Traumatic spinal cord injury M >=41.50 and M <47.50	1.9604	1.6024	1.5602	1.4118	17	15	15	16
0404	Traumatic spinal cord injury M <31.50 and A <61.50	3.1765	2.5964	2.5281	2.2877	23	33	25	22
0405	Traumatic spinal cord injury M >=31.50 and M <41.50	2.5161	2.0566	2.0025	1.8121	19	20	21	19
0406	Traumatic spinal cord injury M >=24.50 and M <31.50 and A >=61.50	3.3100	2.7055	2.6343	2.3838	23	29	26	24
0407	Traumatic spinal cord injury M <24.50 and A >=61.50	4.5328	3.7050	3.6075	3.2644	42	36	33	33
0501	Non-traumatic spinal cord injury M >=60.50	1.3090	1.0060	0.9359	0.8625	11	10	10	10
0502	Non-traumatic spinal cord injury M >=53.50 and M <60.50	1.6251	1.2489	1.1618	1.0707	14	13	12	12
0503	Non-traumatic spinal cord injury M >=48.50 and M <53.50	1.8402	1.4142	1.3156	1.2124	16	14	14	13
0504	Non-traumatic spinal cord injury M >=39.50 and M <48.50	2.1989	1.6898	1.5720	1.4487	18	16	16	15
0505	Non-traumatic spinal cord injury M <39.50	3.1242	2.4009	2.2336	2.0584	26	23	22	20
0601	Neurological M >=64.50	1.3095	0.9918	0.9341	0.8390	11	10	9	9
0602	Neurological M >=52.50 and M <64.50	1.6289	1.2337	1.1619	1.0437	13	12	11	11
0603	Neurological M >=43.50 and M <52.50	1.9370	1.4670	1.3817	1.2411	15	14	13	13
0604	Neurological M <43.50	2.4498	1.8553	1.7475	1.5696	20	17	16	16
0701	Fracture of lower extremity M >=61.50	1.2269	0.9809	0.9316	0.8513	11	11	10	9
0702	Fracture of lower extremity M >=52.50 and M <61.50	1.5165	1.2125	1.1515	1.0523	13	13	12	11
0703	Fracture of lower extremity M >=41.50 and M <52.50	1.8578	1.4854	1.4108	1.2892	16	15	14	14
0704	Fracture of lower extremity M <41.50	2.2940	1.8342	1.7420	1.5918	18	18	17	16
0801	Replacement of lower-extremity joint M >=63.50	1.1781	0.9922	0.8869	0.8310	10	10	9	9
0802	Replacement of lower-extremity joint M >=57.50 and M <63.50	1.3428	1.1310	1.0109	0.9472	10	10	10	10
0803	Replacement of lower-extremity joint M >=51.50 and M <57.50	1.4778	1.2447	1.1126	1.0424	13	12	11	11
0804	Replacement of lower-extremity joint M >=42.50 and M <51.50	1.6788	1.4140	1.2639	1.1842	14	14	12	12
0805	Replacement of lower-extremity joint M <42.50	2.0910	1.7611	1.5742	1.4749	17	17	15	14
0901	Other orthopedic M >=63.50	1.2385	0.9381	0.8862	0.8084	11	10	9	9
0902	Other orthopedic M >=51.50 and M <63.50	1.5733	1.1917	1.1257	1.0270	13	12	12	11
0903	Other orthopedic M >=44.50 and M <51.50	1.8670	1.4141	1.3358	1.2187	15	14	13	13
0904	Other orthopedic M <44.5	2.2482	1.7029	1.6086	1.4675	18	17	16	15
1001	Amputation lower extremity M >=64.50	1.2289	1.0211	0.9268	0.8605	11	10	10	9
1002	Amputation lower extremity M >=55.50 and M <64.50	1.4929	1.2405	1.1259	1.0454	13	13	12	11
1003	Amputation lower extremity M >=47.50 and M <55.50	1.7768	1.4764	1.3400	1.2442	15	16	14	13
1004	Amputation lower extremity M <47.50	2.3634	1.9638	1.7824	1.6550	19	19	17	17

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
1101	Amputation non-lower extremity M >=58.50	1.3524	1.2804	1.1019	0.9641	12	13	11	11
1102	Amputation non-lower extremity M >=52.50 and M <58.50	1.5444	1.4621	1.2582	1.1009	13	13	13	11
1103	Amputation non-lower extremity M <52.50	1.9344	1.8313	1.5760	1.3789	16	17	15	13
1201	Osteoarthritis M >=61.50	1.3247	1.0514	0.9396	0.8702	11	11	9	10
1202	Osteoarthritis M >=49.50 and M <61.50	1.5576	1.2362	1.1047	1.0231	13	12	12	11
1203	Osteoarthritis M <49.50 and A >=74.50	2.0850	1.6548	1.4788	1.3696	16	16	15	14
1204	Osteoarthritis M <49.50 and A <74.50	2.1465	1.7037	1.5225	1.4100	17	16	15	15
1301	Rheumatoid other arthritis M >=62.50	1.2527	1.0015	0.9176	0.8336	10	10	9	9
1302	Rheumatoid other arthritis M >=51.50 and M <62.50	1.5360	1.2280	1.1252	1.0221	12	12	11	11
1303	Rheumatoid other arthritis M >=44.50 and M <51.50 and A >=64.50	1.7752	1.4192	1.3004	1.1812	14	14	13	12
1304	Rheumatoid other arthritis M <44.50 and A >=64.50	2.2912	1.8318	1.6784	1.5246	16	17	16	15
1305	Rheumatoid other arthritis M <51.50 and A <64.50	2.2867	1.8281	1.6750	1.5216	17	18	16	14
1401	Cardiac M >=68.50	1.1175	0.9002	0.8323	0.7654	10	9	9	8
1402	Cardiac M >=55.50 and M <68.50	1.4236	1.1468	1.0603	0.9751	12	12	11	10
1403	Cardiac M >=45.50 and M <55.50	1.7207	1.3861	1.2816	1.1786	14	14	13	12
1404	Cardiac M <45.50	2.1468	1.7294	1.5991	1.4705	18	17	15	15
1501	Pulmonary M >=68.50	1.3103	1.0536	0.9867	0.9432	10	10	9	9
1502	Pulmonary M >=56.50 and M <68.50	1.6022	1.2883	1.2065	1.1534	12	12	11	11
1503	Pulmonary M >=45.50 and M <56.50	1.8680	1.5020	1.4066	1.3446	15	14	13	13
1504	Pulmonary M <45.50	2.3425	1.8835	1.7639	1.6862	20	16	16	15
1601	Pain syndrome M >=65.50	1.0512	0.9420	0.8617	0.7811	9	10	9	9
1602	Pain syndrome M >=58.50 and M <65.50	1.2648	1.1335	1.0368	0.9399	11	12	11	10
1603	Pain syndrome M >=43.50 and M <58.50	1.5317	1.3727	1.2557	1.1382	13	14	13	12
1604	Pain syndrome M <43.50	2.0049	1.7968	1.6436	1.4898	14	19	16	15
1701	Major multiple trauma without brain or spinal cord injury M >=57.50	1.3191	1.0450	0.9702	0.8932	12	10	10	10
1702	Major multiple trauma without brain or spinal cord injury M >=50.50 and M <57.50	1.6260	1.2881	1.1960	1.1010	13	13	12	12
1703	Major multiple trauma without brain or spinal cord injury M >=41.50 and M <50.50	1.9078	1.5114	1.4033	1.2919	15	15	14	13
1704	Major multiple trauma without brain or spinal cord injury M >=36.50 and M <41.50	2.1953	1.7392	1.6148	1.4866	18	17	16	15
1705	Major multiple trauma without brain or spinal cord injury M <36.50	2.5557	2.0247	1.8799	1.7306	19	19	18	17
1801	Major multiple trauma with brain or spinal cord injury M >=67.50	1.1189	0.9154	0.8421	0.7904	12	10	9	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
1802	Major multiple trauma with brain or spinal cord injury M >=55.50 and M <67.50	1.4223	1.1636	1.0704	1.0047	14	13	11	11
1803	Major multiple trauma with brain or spinal cord injury M >=45.50 and M <55.50	1.7694	1.4475	1.3316	1.2498	17	15	14	13
1804	Major multiple trauma with brain or spinal cord injury M >=40.50 and M <45.50	2.0665	1.6906	1.5552	1.4597	19	17	15	16
1805	Major multiple trauma with brain or spinal cord injury M >=30.50 and M <40.50	2.4792	2.0282	1.8658	1.7512	23	20	18	18
1806	Major multiple trauma with brain or spinal cord injury M <30.50	3.5919	2.9385	2.7032	2.5372	36	28	27	24
1901	Guillain-Barré M >=66.50	1.3407	0.9475	0.8237	0.8240	11	10	9	9
1902	Guillain-Barré M >=51.50 and M <66.50	1.9505	1.3785	1.1984	1.1987	15	14	13	13
1903	Guillain-Barré M >=38.50 and M <51.50	2.7597	1.9504	1.6956	1.6960	20	18	17	18
1904	Guillain-Barré M <38.50	4.2436	2.9991	2.6072	2.6080	37	30	25	25
2001	Miscellaneous M >=66.50	1.1884	0.9531	0.8864	0.8114	10	10	9	9
2002	Miscellaneous M >=55.50 and M <66.50	1.4755	1.1833	1.1004	1.0074	12	12	11	11
2003	Miscellaneous M >=46.50 and M <55.50	1.7326	1.3895	1.2922	1.1830	14	13	13	12
2004	Miscellaneous M <46.50 and A >=77.50	2.1131	1.6946	1.5760	1.4427	17	16	15	15
2005	Miscellaneous M <46.50 and A <77.50	2.2118	1.7738	1.6496	1.5101	18	17	16	15
2101	Burns M >=52.50	1.6061	1.3503	1.0183	0.9765	15	15	10	11
2102	Burns M <52.50	2.5451	2.1397	1.6136	1.5474	19	18	16	16
5001	Short-stay cases, length of stay is 3 days or fewer	0.0000	0.0000	0.0000	0.1755	0	0	0	3
5101	Expired, orthopedic, length of stay is 13 days or fewer	0.0000	0.0000	0.0000	0.8539	0	0	0	8
5102	Expired, orthopedic, length of stay is 14 days or more	0.0000	0.0000	0.0000	2.0485	0	0	0	20
5103	Expired, not orthopedic, length of stay is 15 days or fewer	0.0000	0.0000	0.0000	0.9118	0	0	0	8
5104	Expired, not orthopedic, length of stay is 16 days or more	0.0000	0.0000	0.0000	2.1881	0	0	0	20

FY 2025 IPF Labor-Related Share (Page 25)

Based on IGI's second quarter 2025 forecast with historical data through the first quarter of 2025, the FY 2026 labor-related share for the final rule is **79.0 percent**, which is 0.1 percentage point higher than the proposed rule.

Update of the Federal per Diem Base Rate and Electroconvulsive Therapy Payment per Treatment (Page 29)

The current Federal per diem base rate is $876.53 and the ECT payment per treatment is $661.52.

For the final FY 2026 Federal per diem base rate, CMS applied the final IPF market basket update of 2.5 percent (that is, the final 2021-based IPF market basket percentage increase for FY 2026 of 3.2

percent reduced by the final productivity adjustment of -0.7 percentage point), the final wage index budget neutrality factor of 1.0011, and the final refinement standardization factor of 0.9927 to the FY 2025 Federal per diem base rate of $876.53, yielding a final Federal per diem base rate of **$892.87** for FY 2026. (Page 30)

CMS applied the final IPF market basket update of 2.5 percent, the final wage index budget neutrality factor of 1.0011, and the final refinement standardization factor of 0.9927 to the final FY 2025 ECT payment per treatment of $661.52, yielding a final ECT payment per treatment of **$673.85** for FY 2026.
For IPFs that fail to report required data under the IPFQR Program, CMS will apply a 0.5 percent payment rate update—that is, the final IPF market basket increase for FY 2026 of 3.2 percent reduced by the final productivity adjustment of -0.7 percentage point for an update of 2.5 percent, and further reduced by 2.0 percentage points. (Page 30)

Updates to the IPF PPS Patient-Level Adjustment Factors (Page 31)

IPF PPS Patient-Level Adjustments

The IPF PPS includes a number of payment adjustments for patient-level characteristics: (1) Medicare Severity Diagnosis Related Groups (MS–DRGs) assignment of the patient's principal diagnosis, (2) selected comorbidities, (3) patient age, and (4) variable per diem adjustments.

Revisions to MS–DRG Adjustment Factors (Page 31)

For FY 2026, CMS will continue to make existing payment adjustments for psychiatric diagnoses that group to one of the existing 19 IPF MS–DRGs listed in Addendum A. CMS says it did not receive any comments on this proposal, and is finalizing it as proposed.

Appendix A (available on CMS' web-site) provides the final list of the 19 DRG Adjustments Factors as shown below.

MS-DRG	MS-DRG Descriptions	FY 2025 Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.12
057	Degenerative nervous system disorders w/o MCC	1.11
876	OR procedure w principal diagnoses of mental illness	1.29
880	Acute adjustment reaction & psychosocial dysfunction	1.08
881	Depressive neuroses	1.06
882	Neuroses except depressive	1.02
883	Disorders of personality & impulse control	1.17
884	Organic disturbances & intellectual disabilities	1.08
885	Psychoses	1.00
886	Behavioral & developmental disorders	1.07
887	Other mental disorder diagnoses	1.00
894	Alcohol/drug abuse or dependence, left AMA	0.86
895	Alcohol/drug abuse or dependence w rehabilitation therapy	0.90
896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	1.00
897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	0.95

MS-DRG	MS-DRG Descriptions	FY 2025 Adjustment Factor
917	Poisoning and toxic effects of drugs w MCC	1.19
918	Poisoning and toxic effects of drugs w/out MCC	1.12
947	Signs and Symptoms w MCC	1.12
948	Signs and Symptoms w/out MCC	1.09

Payment for Comorbid Conditions (Page 35)

The intent of the comorbidity adjustments is to recognize the increased costs associated with active comorbid conditions by providing additional payments for certain existing medical or psychiatric conditions that are expensive to treat.

The FY 2026 comorbidity adjustment factors are displayed in the table below, and can be found in Addendum A, available on the CMS website at: https://www.cms.gov/medicare/payment/prospective-payment-systems/inpatient-psychiatric-facility/tools-and-worksheets. (Page 37)

Comorbidity Adjustments

Comorbidity	Adjustment Factor
Developmental Disabilities	1.04
Tracheostomy	1.09
Eating Disorders	1.09
Renal Failure, Acute	1.06
Renal Failure, Chronic	1.08
Oncology Treatment	1.44
Uncontrolled Diabetes Mellitus	1.05
Severe Protein Malnutrition	1.17
Cardiac Conditions	1.04
Gangrene	1.12
Chronic Obstructive Pulmonary Disease and Sleep Apnea	1.09
Artificial Openings – Digestive & Urinary	1.07
Severe Musculoskeletal & Connective Tissue Diseases	1.05
Poisoning	1.16
Intensive Management for High-Risk Behavior	1.07

Patient Age Adjustments (Page 37)

CMS is revising the age adjustment factors as reflected in the table below.

Age (in years)	Adjustment Factors
Under 45	1.00
45 and under 55	1.02
55 and under 60	1.05
60 and under 65	1.07
65 and under 70	1.09
70 and under 80	1.11
80 and over	1.13

Variable Per Diem Adjustments (Page 37)

The variable per diem adjustments to the Federal per diem base rate account for ancillary and administrative costs that occur disproportionately in the first days after admission to an IPF.

Variable Per Diem Adjustments

Description	Adjustment Factors
Day 1 -- Facility Without a Qualifying Emergency Department	1.28
Day 1 -- Facility With a Qualifying Emergency Department	1.54
Day 2	1.20
Day 3	1.15
Day 4	1.12
Day 5	1.08
Day 6	1.06
Day 7	1.03
Day 8	1.02
Day 9	1.01
Day 10 and After	1.00

Comment

The table above says a facility without a qualifying emergency room receives an adjustment factor for day 1 of 1.28. However the rule's preamble text on page 79 says the factor is 1.27.

Updates to the IPF PPS Facility-Level Adjustments (Page 38)

The IPF PPS includes facility-level adjustments for the wage index, IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying ED.

Comment

CMS spends two dozen pages (pages 38 to 62) taking about the "History of IPF PPS Cost and Claims Analyses." Why?

Adjustment for Rural Location (Page 63)

"In the RY 2005 IPF PPS final rule, we provided a 17-percent payment adjustment for IPFs located in a rural area."

After consideration of the comments, CMS is finalizing an increase in the rural adjustment to 18 percent as proposed.

Teaching Adjustment (Page 68)

In the FY 2026 IPF PPS proposed rule, CMS stated that it believes increasing the teaching adjustment from 0.5150 to 0.7981 would more appropriately adjust IPF PPS payments for IPFs that have qualified

teaching programs and would address the estimated higher indirect operating costs for teaching IPFs. CMS is adopting its proposal.

Wage Index Adjustment (Page 54)

CMS is finalizing its proposal for FY 2026 to continue to use the concurrent pre-floor, pre-reclassified IPPS hospital wage index as the basis for the IPF wage index.

The following tables are from the rule's addendum A.

Facility Adjustments: Rural Adjustment Factor	1.18
Teaching Adjustment Factor	0.7957
Wage Index	FY 2026 Pre-floor, Pre-reclassified IPPS Hospital Wage Index

Continuation of Rural Transition (Page 65)

CMS implemented a 3-year budget neutral phase-out of the rural adjustment for IPFs located in 54 rural counties that would become urban under new OMB delineations, given the potentially significant payment impacts for these IPFs.

Under this 3-year phase-out, for FY 2026, IPFs that became urban due to these OMB delineation changes will receive one-third of the rural adjustment that was applicable in FY 2024.

CMS is not adopting a transition policy for urban IPFs that become rural in FY 2025 because these IPFs began receiving the full rural adjustment of 17-percent beginning October 1, 2024.

Cost of Living Adjustment for IPFs Located in Alaska and Hawaii (Page 75)

After consideration of the public comments received, CMS is maintaining the current (FY 2025) IPF PPS COLA factors as proposed, for FY 2026.

Cost of Living Adjustments (COLAs):

Area	Cost of Living Adjustment Factor
Alaska:	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.22
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.22
City of Juneau and 80-kilometer (50-mile) radius by road	1.22
Rest of Alaska	1.24
Hawaii:	
City and County of Honolulu	1.25
County of Hawaii	1.22
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Refinement Standardization Factor (Page 80)

Section 1886(s)(5)(D)(iii) of the Act, as added by section 4125(a) of the CAA, 2023, states that revisions in payment implemented pursuant to section 1886(s)(5)(D)(i) for a rate year shall result in

the same estimated amount of aggregate expenditures under this title for psychiatric hospitals and psychiatric units furnished in the rate year as would have been made under this title for such care in such rate year if such revisions had not been implemented. CMS says it interprets this to mean that revisions in payment adjustments implemented for FY 2026 (and for any subsequent fiscal year) must be budget neutral.

The final FY 2026 refinement standardization factor is **0.9927.**

Update to the Outlier Fixed Dollar Loss Threshold Amount (Page 82)

Based on an analysis updated data, CMS estimates that IPF outlier payments as a percentage of total estimated payments were approximately 2.1 percent in FY 2025. Therefore, CMS is finalizing an update to the outlier threshold amount to **$39,360** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2026.

CMS proposed to update the outlier threshold amount to $39,360 to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2026. The proposed update would be an increase from the FY 2025 threshold of $38,110.

INPATIENT PSYCHIATRIC FACILITY QUALITY REPORTING (IPFQR) PROGRAM (Page 87)

Modification of the Reporting Period of the 30-Day Risk-Standardized All-Cause Emergency Department Visit Following an IPF Discharge Measure, Beginning with the FY 2029 Payment Determination (Page 89)

In the FY 2025 IPF PPS final rule, CMS adopted the 30-Day Risk-Standardized All-Cause Emergency Department (ED) Visit Following an IPF Discharge measure (IPF ED Visit measure) for the IPFQR Program beginning with the FY 2027 payment determination. The measure was adopted with a calendar year (CY) reporting period starting with the CY 2025 reporting period for the FY 2027 payment determination.

CMS is modifing the current 1-year reporting period for the IPF ED Visit measure to a 2-year reporting period.

Removal of the Facility Commitment to Health Equity Measure (FCHE) Beginning with the CY 2024 Reporting Period/FY 2026 Payment Determination (Page 92)

In the FY 2026 IPF PPS proposed rule, CMS proposed to remove the FCHE measure beginning with the FY 2026 payment determination due to the costs associated with achieving a high score on the measure outweighing the benefit of its continued use in the program.

Final Comments

Using one of CMS' favorite phrases, "we appreciate" the "Final Decision" sections. Very helpful in summarizing CMS' actions.

We have found errors in this document. Most are typographical in nature and therefore do not detract from the substance being presented.

Quality continues to roll. The material is both extensive and exhaustive.

This rule is another example of a rule containing too, too much unneeded material that is unrelated to the actual changes being adopted. As we have said many times, it would be very helpful to understand CMS' rationale for all the continued historical redundancy.

For example, section II of the rule (page 4-11) provides an Overview of the Legislative Requirements of the IPF PPS. Do we really need these 7 pages?

We have tried to highlight most items, but there are some that are not addressed. The rule, itself, is the only source to become knowledgeable with all details.