Medicare FFY 2027 IPPS Final Rule and Analysis

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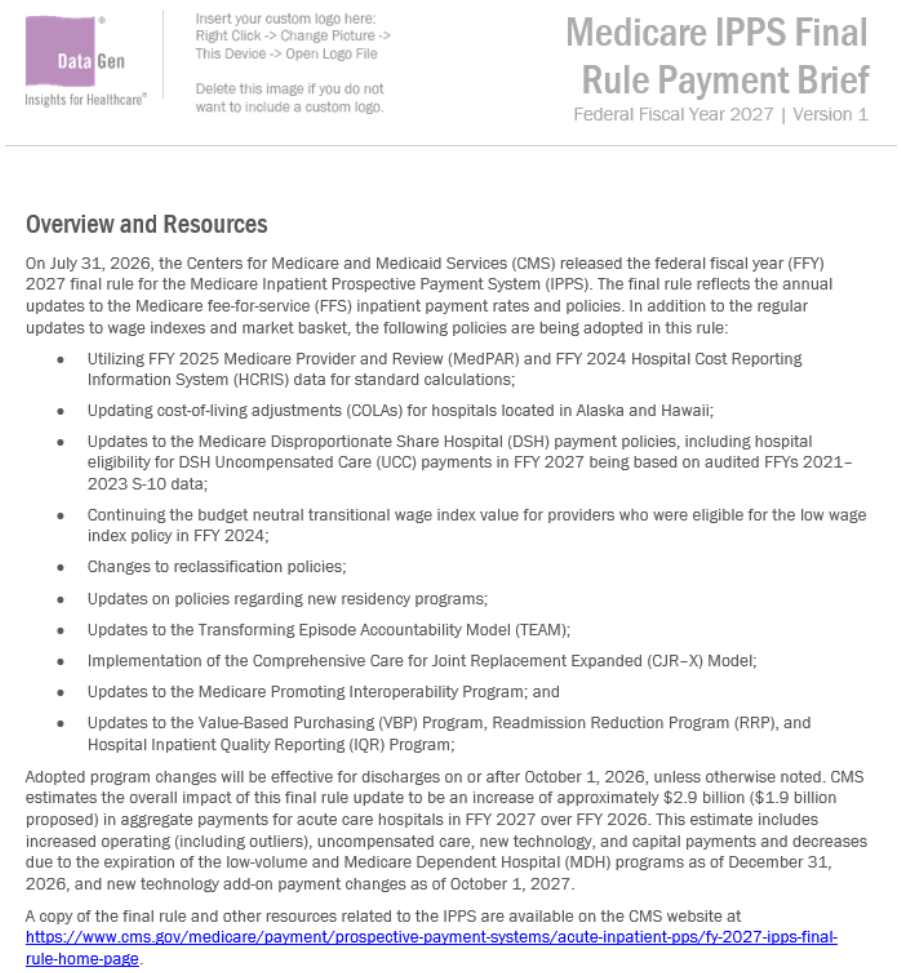
Rule Overview

- Rate Updates
- Wage Index
- DSH Updates
- Other Changes



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Medicare IPPS Final Rule Payment Brief

Federal Fiscal Year 2027 | Version 1

Overview and Resources

On July 31, 2026, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2027 final rule for the Medicare Inpatient Prospective Payment System (IPPS). The final rule reflects the annual updates to the Medicare fee-for-service (FFS) inpatient payment rates and policies. In addition to the regular updates to wage indexes and market basket, the following policies are being adopted in this rule:

- Utilizing FFY 2025 Medicare Provider and Review (MedPAR) and FFY 2024 Hospital Cost Reporting Information System (HCRIS) data for standard calculations;
- Updating cost-of-living adjustments (COLAs) for hospitals located in Alaska and Hawaii;
- Updates to the Medicare Disproportionate Share Hospital (DSH) payment policies, including hospital eligibility for DSH Uncompensated Care (UCC) payments in FFY 2027 being based on audited FFYs 2021–2023 S-10 data;
- Continuing the budget neutral transitional wage index value for providers who were eligible for the low wage index policy in FFY 2024;
- Changes to reclassification policies;
- Updates on policies regarding new residency programs;
- Updates to the Transforming Episode Accountability Model (TEAM);
- Implementation of the Comprehensive Care for Joint Replacement Expanded (CJR–X) Model;
- Updates to the Medicare Promoting Interoperability Program; and
- Updates to the Value-Based Purchasing (VBP) Program, Readmission Reduction Program (RRP), and Hospital Inpatient Quality Reporting (IQR) Program;

Adopted program changes will be effective for discharges on or after October 1, 2026, unless otherwise noted. CMS estimates the overall impact of this final rule update to be an increase of approximately $2.9 billion ($1.9 billion proposed) in aggregate payments for acute care hospitals in FFY 2027 over FFY 2026. This estimate includes increased operating (including outliers), uncompensated care, new technology, and capital payments and decreases due to the expiration of the low-volume and Medicare Dependent Hospital (MDH) programs as of December 31, 2026, and new technology add-on payment changes as of October 1, 2027.

A copy of the final rule and other resources related to the IPPS are available on the CMS website at https://www.cms.gov/medicare/payment/prospective-payment-systems/acute-inpatient-pps/fy-2027-ipps-final-rule-home-page.

Rate Updates

Operating Rate Update

	FFY 2026	FFY 2027	% Change
Operating Rate	$6,752.61	$6,848.98	+1.43%

	Operating Rate Adjustment
ACA-Adjusted Update (3.2% market basket (MB) minus 0.9 PPTs productivity adjustment)	+2.3%
MS-DRG Budget Neutrality Adjustments	-0.15%
Wage Index Budget Neutrality Adjustments	-0.75%
Other Annual Budget Neutrality Adjustments	+0.04%
Net Rate Change (Federal)	**+1.43%**

Capital Rate Update

	FFY 2026	FFY 2027	% Change
Capital Rate	$524.15	$540.03	+3.03%

	Capital Rate Adjustment
Net Capital Input Price Index (CIPI) Update	+3.40%
MS-DRG Budget Neutrality Adjustments	-0.16%
Wage Index Budget Neutrality Adjustments	-0.83%
Other Annual Budget Neutrality Adjustments	+0.63%
Net Rate Change (Federal)	**+3.03%**

Rate Update – MB and CIPI

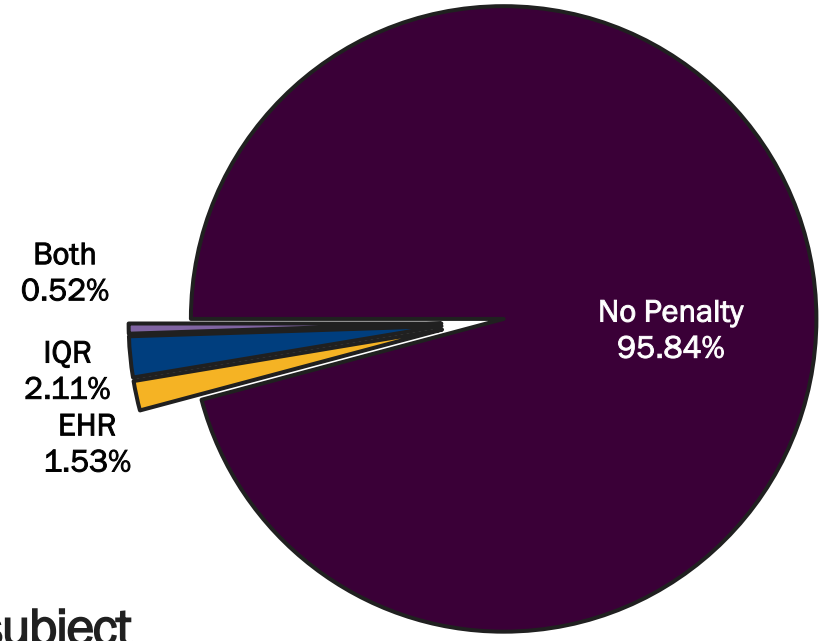
- **Final base operating MB: 3.2%**
  - Estimated impact of +$3.26 B
  - Reduced by the ACA Multifactor Productivity Adjustment of 0.9 percentage points
    - Estimated impact of -$919 M
  - Net FFY 2027 operating market basket update: 2.3%
- **Final base CIPI: 3.1%**
  - Estimated impact of +$240 M
  - Increased by a forecast error adjustment of 0.3%
    - Estimated impact of +0.23 M
  - Net FFY 2027 CIPI : 3.4%

Market Basket Update with EHR and IQR

	No Penalty	IQR Penalty	EHR Penalty	Both Penalties
Baseline Operating MB Update	+3.2%			
Net MB after ACA Reductions	+2.3%			
IQR Penalty (25% Base MB Reduction)	-	-0.8 PPTs	-	-0.8 PPTs
EHR Meaningful Use Penalty (75% Base MB Reduction)	-	-	-2.4 PPTs	-2.4 PPTs
MB Update, less EHR/IQR	+2.3%	+1.5%	-0.1%	-0.9%

Updated Compliance Projections

- **Solely Meaningful Use (EHR) (MB less 2.4%)**
  - 47 hospitals projected to receive a penalty
    - 41% decrease vs FFY 2026 Final Rule (80)
  - Estimated impact of -$10.5 M
- **Solely IQR (MB less 0.8%)**
  - 65 hospitals projected to be penalized
    - 11% decrease vs FFY 2026 Final Rule (73)
  - Estimated impact of -$3.4 M
- **Both EHR and IQR (MB less 3.2%)**
  - 16 hospitals projected to be penalized
  - Estimated impact of -$1.1 M
- **These are not the final determination of the penalties and are subject to change**
  - In the DataGen analysis we include the potential impact of what these penalties could be for each hospital, regardless of their status estimated in the FFY 2027 IPPS impact file



Data Sources for MS-DRG Classifications and Relative Weights

- **CMS will continue to calculate rates for the fiscal year under study using its traditional data sources:**
  - Claims from 2 years prior (FFY 2025 MedPAR)
  - Hospital Cost Reports beginning three years prior (FFY 2024 HCRIS)
- **CMS previously adopted a 10% cap on reductions to MS-DRG relative weights compared to the year prior, implemented in a budget neutral manner, which is will continue for FFY 2027**

Budget Neutrality Adjustments

	Operating Adjustment	Operating Impact	Capital Adjustment	Capital Impact
MS-DRG Reclassification and Recalibration	-0.13%	-$135.14 M	-0.13%	-$10.91 M
MS-DRG Weight 10% Reduction Cap	-0.03%	-$29.11 M	-0.03%	-$2.51 M
Wage Index and Reclassifications	-0.75%	-$751.14 M	-0.10%	-$8.38 M
5% Stop Loss*	-0.00%	-$3.08 M	-0.54%	-$45.67 M
Low Wage Index Transition*	+0.01%	+$4.49 M	-0.22%	-$15.71 M
Other Budget Neutrality**	+0.04%	+$43.80 M	+0.64%	+$50.99 M
Rural Floor (applied directly to wage indexes)*	-0.05%	-$98.43 M	-0.05%	-$9.82 M

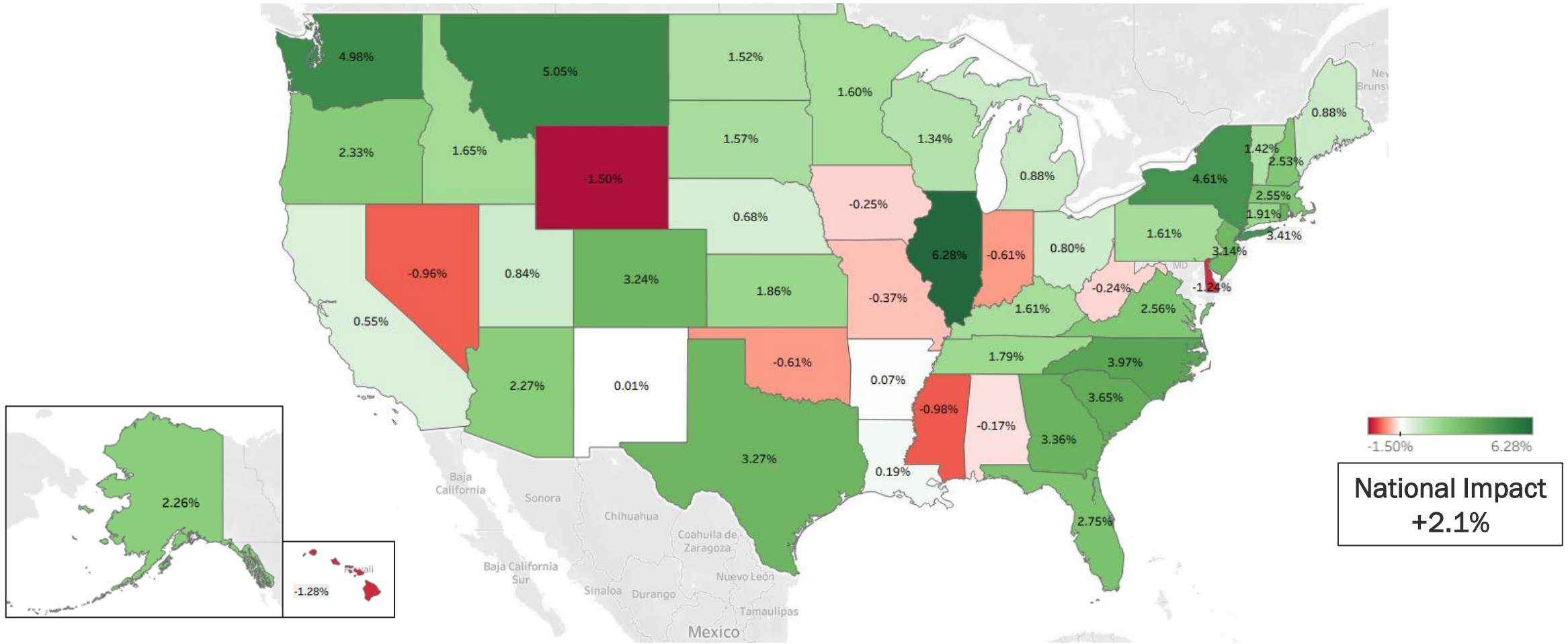
* Not permanently applied; includes the removal of the final FFY 2026 adj. and the inclusion of the adopted FFY 2027 adj.
** Includes: adopted outlier adj. for operating and capital rates; rural community hospital adj. for operating rate

Cost-Of-Living Adjustments for Alaska and Hawaii

- **Adopted updates to COLA factors for AK and HI**
  - For AK, CMS will use the Overseas Cost-of-Living Allowance Data published by the Department of Defense rather than using Consumer Price Index data
  - For HI, CMS will continue to use Consumer Price Index Data
  - COLA factors will no longer be capped at 1.25

	Final COLA Factors FFYs 2022–2026	Final COLA Factors FFY 2027
Alaska		
City of Anchorage and 80-kilometer (50-mile) radius by foot	1.22	1.28
City of Fairbanks and 80-kilometer (50-mile) radius by foot	1.22	1.32
City of Juneau and 80-kilometer (50-mile) radius by foot	1.22	1.36
Rest of Alaska	1.24	1.44
Hawaii		
City and County of Honolulu	1.25	1.25
County of Hawaii	1.22	1.32
County of Kauai	1.25	1.26
County of Maui and County of Kalawao	1.25	1.25

Total Revenue Change (all adjustments)

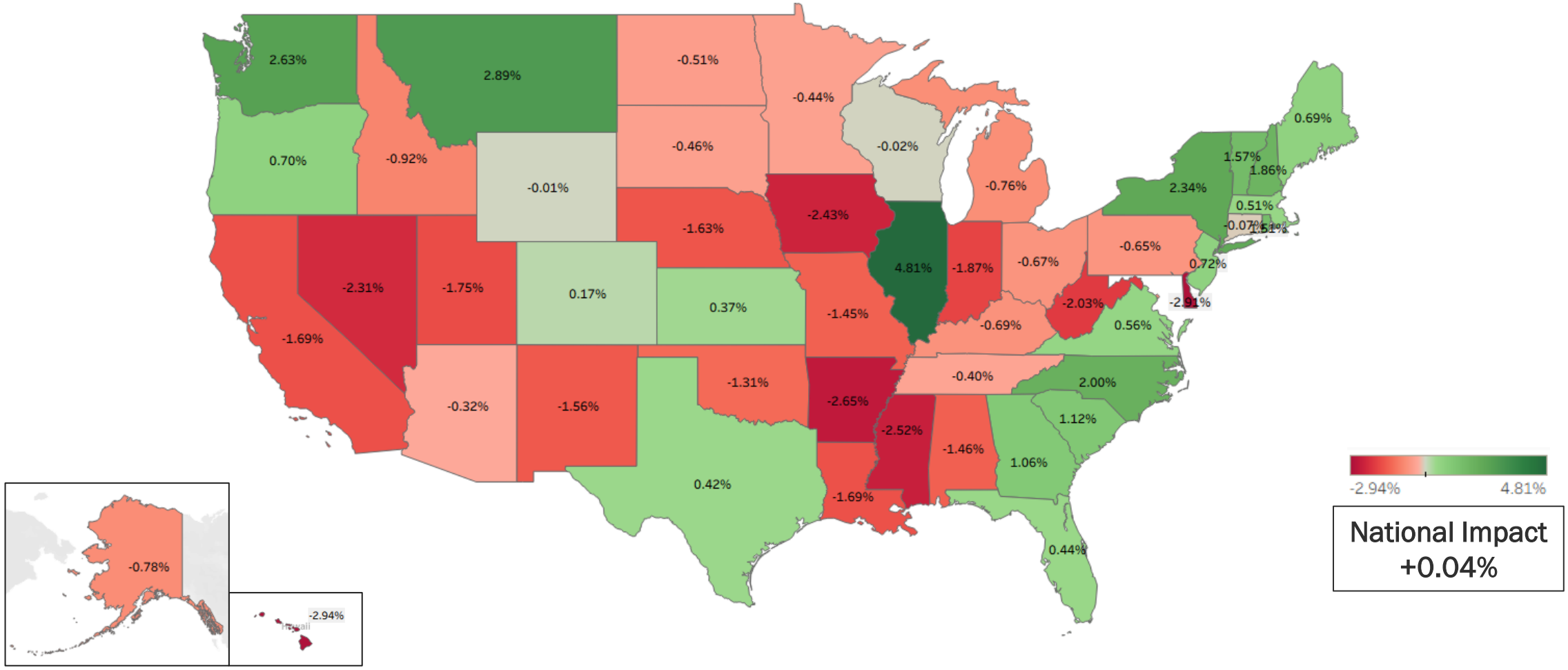


Wage Index

Wage Index Reclassifications

- **CMS is adopting an update to policies affecting how hospital reclassifications are handled for FFY 2027 and going forward, which include**
  - Allowing ferry routes to be used as road routes for mapping shortest routes when determining mileage for purposes of proximity.
  - Waiving the regulation that a hospital without three years of published hourly wage data must demonstrate that its three-year AHW is at least 82% of the AHW of the CBSA it is reclassifying to when a hospital seeks to reclassify into the CBSA they are located in.

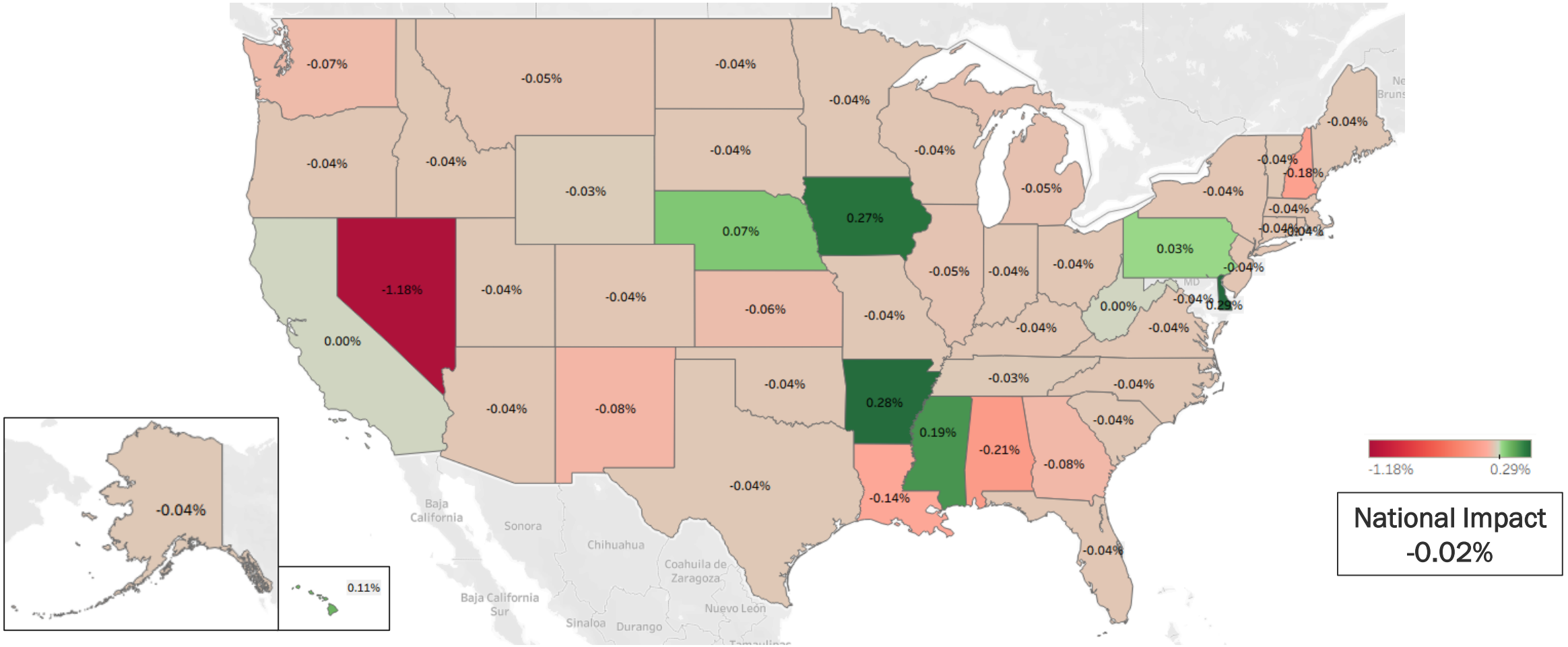
Impact of Base WI Changes



Wage Index Reduction Cap

- CMS adopted to continue the 5% cap on wage index decreases, regardless of reason
- The resulting FFY 2027 wage index for any hospital will be no less than 95% of its FFY 2026 wage index
- Will be implemented in a budget neutral manner, consistent with past years

Wage Index Reduction Cap



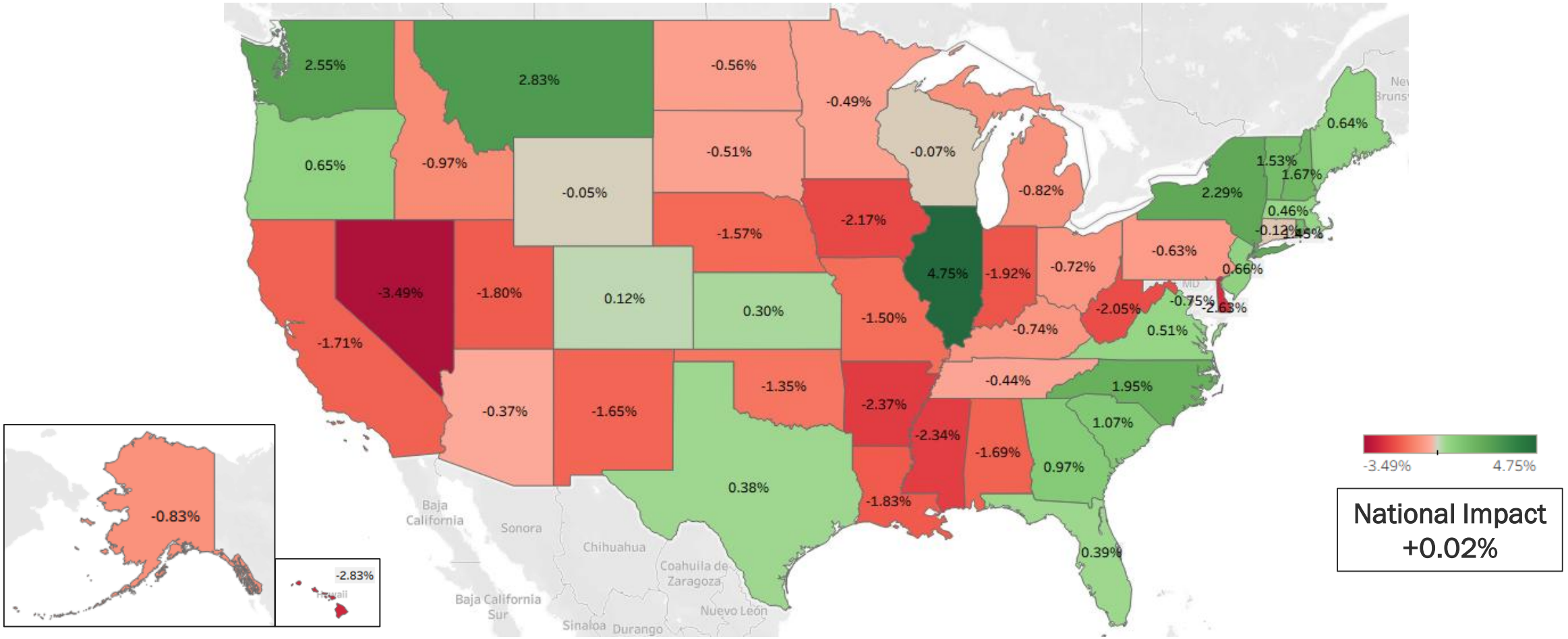
Low Wage Index Removal Transition

- CMS previously finalized to discontinue the low wage index (bottom quartile) policy for FFY 2026 and subsequent years.
- To assist hospitals, CMS will continue a narrow budget neutral transitional wage index adjustment, applied after the 5% stop loss, for providers who were eligible for the low wage index policy in FFY 2024 and whose FFY 2027 wage index will be more than a 14.2625% decrease of their FFY 2024 wage index.
  - The resulting FFY 2027 wage index will be 85.7375% of the FFY 2024 wage index
  - CMS is applying an operating budget neutrality factor of -0.02%
  - Based on the operating factor, we estimated a capital budget neutrality factor of -0.22%

Other Wage Index Changes

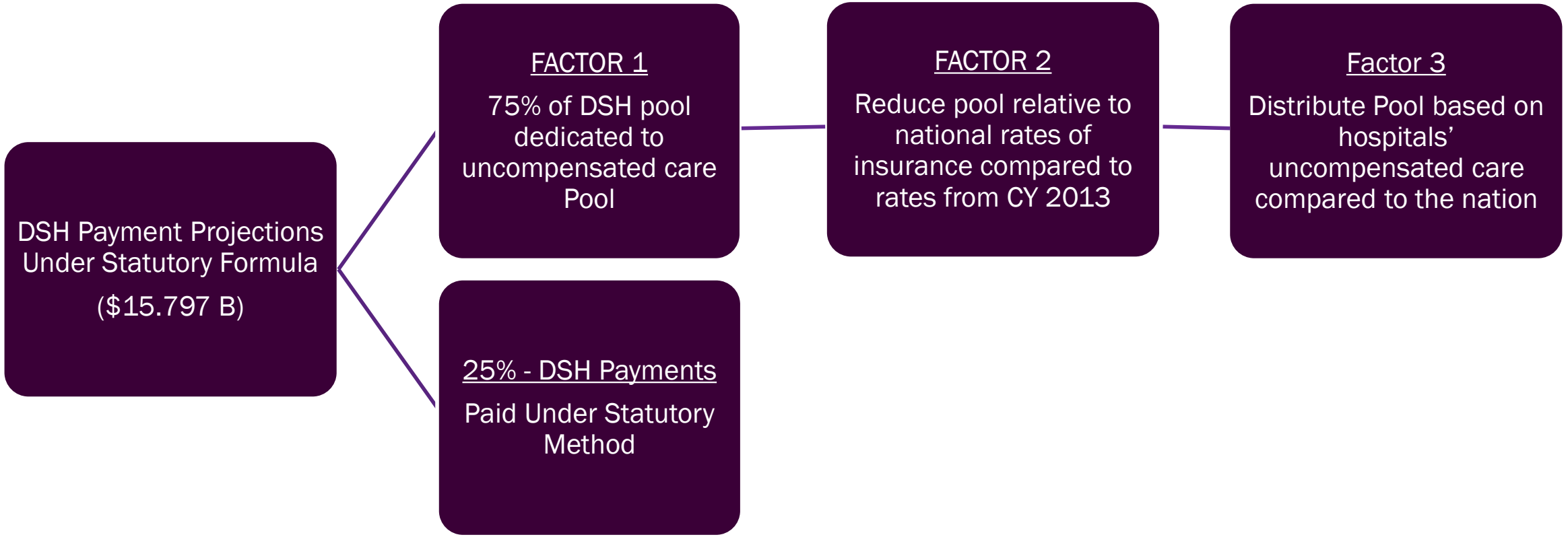
- Adoption to maintain the labor-related share of 66.0% for hospitals with wage index of more than 1.0.
- Hospitals with a wage index less than or equal to 1.0 will continue to have a labor-related share of 62.0%.
- Adopted rural floor wage index budget neutrality factor of 0.973492, which is applied to each provider's rural floor-adjusted payment wage index.
- Adopted use of the CY 2022 Occupational Mix Survey to calculate FFY 2027 wage indexes.
  - A new occupational mix survey is needed for the creation of FFY 2028 wage indexes. Hospitals were required to submit these survey data to their MACs by June 30, 2026
- Outmigration adjustments for FFY 2027 and onwards will continue to be based on the American Community Survey data from 2016-2020.

All Adopted WI Changes



Medicare Disproportionate Share Hospital Policies

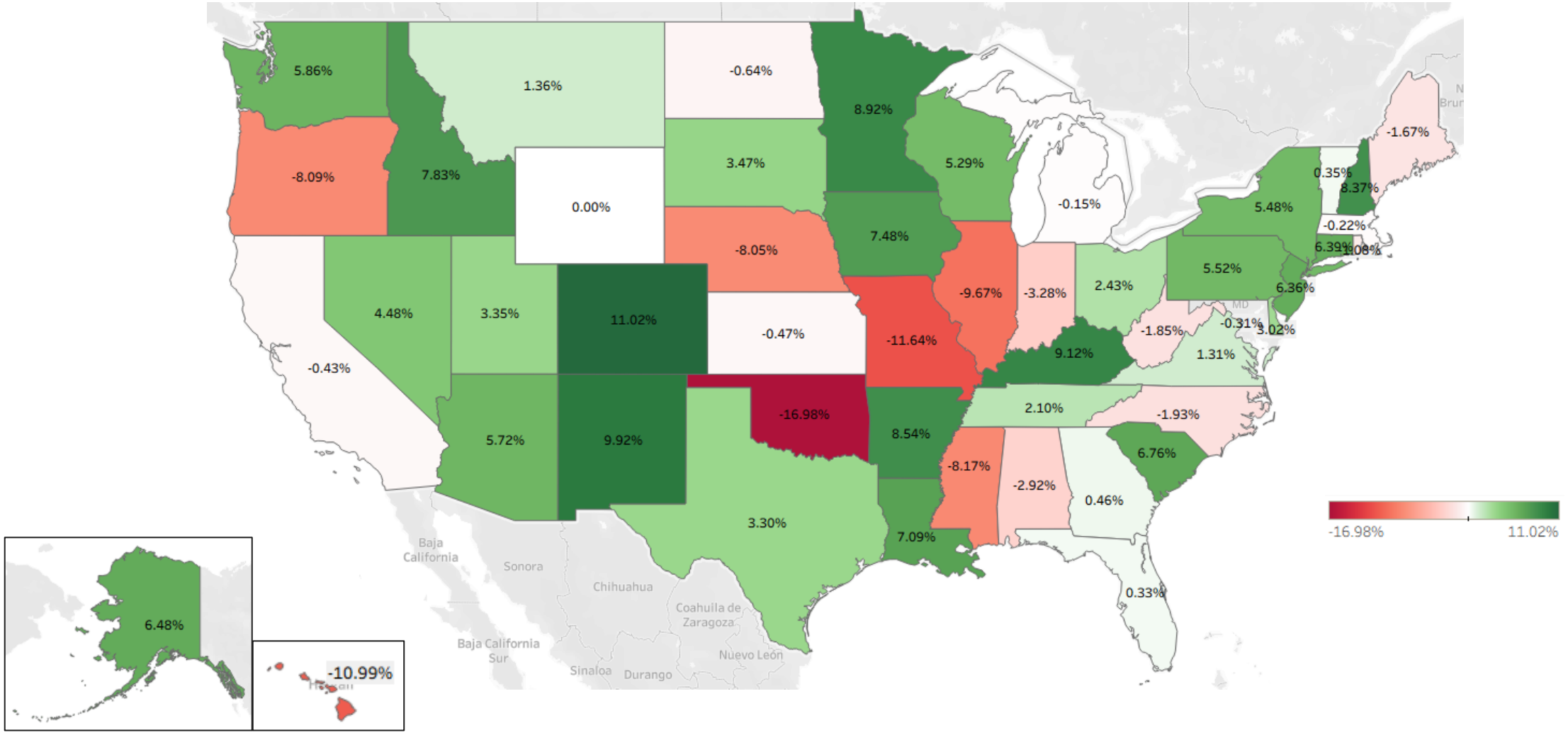
Medicare DSH Payment Methodology



Medicare DSH UCC Factors

	FFY 2026	FFY 2027
Factor 1 (Base Funding)	$12.413 Billion	$11.825 Billion
Factor 2 (Available Pool)	62.14% adjustment ($7.713 B pool)	67.14% adjustment ($7.939 B pool)
Factor 3 (Distribution)	Average of three years of audited data **Uncompensated Care Costs** FFYs 2020—2022 S-10 Line 30 (Trimmed)	Average of three years of audited data **Uncompensated Care Costs** FFYs 2021—2023 S-10 Line 30 (Trimmed)

Change in UCC due to Factor 3 Distribution Updates



Other DSH Policies

- **CMS will continue to use a hospital's 3-year average discharges to estimate interim UCC payments per discharge**
  - FFYs 2023, 2024, and 2025
  - UCC will be reconciled at cost report settlement, as in past years

Other Changes

Graduate Medical Education

- **Adopted policies include**
  - Accreditation for approved medical residency programs and nursing and allied health education programs must be in compliance with anti-discrimination laws
  - Updates to what constitutes a “new” program eligible to receive Medicare-funded GME slots

Graduate Medical Education

CMS provided public notification of the closure of the following hospitals

CCN	Provider Name	City and State	CBSA	Terminating Date	IME Cap (includes all adjustments)	DGME Cap (includes all adjustments)
360005	Insight Hospital and Medical Center Trumbull	Warren, OH	49660	10/10/2025	75.11	76.93
240063	M Health Fairview St. Joseph's Hospital	Saint Paul, MN	33460	7/1/2022	13.36	13.38

Rural Adjustments – Low Volume

- **The criteria for the low-volume hospital adjustment has been extended through December 31, 2026 by the Consolidated Appropriations Act of 2026**
  - Current Criteria
    - Be located more than 15 road miles from another subsection (d) hospital
    - Have fewer than 3,800 Medicare discharges during the fiscal year
  - Criteria for January 1, 2027 and forward
    - Be located more than 25 road miles from another subsection (d) hospital
    - Have fewer than 200 total discharges (All Payer) during the fiscal year
- **Beginning January 1, 2027, these criteria will revert to the more restrictive, statutory criteria**
  - Based on previous years where this restrictive criteria used, there were few to no providers eligible for the low volume adjustment
  - The effect of losing this adjustment for ¾ of FFY 2027 is reflected in the DataGen analysis under the "Net Change due to Low Volume Adjustment" impact line
  - 557 hospitals are estimated to be low-volume hospitals
  - Reduces national operating revenues by $259 million and capital revenues by $16 million
- **CMS did not provide estimated LVH adjustments in their impact file**
  - Adjustments from the DataGen analysis are taken from the most recent CMS provider-specific file or the FFY 2026 final rule Impact File, which had adjustments for FFY 2025

Rural Adjustments – MDH

- Medicare-Dependent Small Rural Hospital (MDH) program was extended through December 31, 2026 by the Consolidated Appropriations Act of 2026
- Beginning January 1, 2027 providers will lose MDH status unless the program is extended by Congress
- HSRs in the DataGen analysis are based on FFY 2025 data and then updated for FFY 2026 and 2027 by applying each year's respective update factor
- 166 hospitals currently have MDH status
- The impact of losing this adjustment is reflected in the DataGen analysis under the "Change in Hospital-Specific Rate" impact line and in the Hospital Payments tab under the Hospital-Specific Rate section, if applicable

Additional Adopted Policies

- Creation of, and updates to, numerous MS-DRGs and related ICD-10-CM codes
- Removal of the alternative pathway for new technology add-on payments
- Outlier reconciliation policies and increasing the fixed-loss threshold to $49,346 in FFY 2027 from $40,397 in FFY 2026
- Revising provider-based location criteria regulations
- Organ acquisition policies
- Updates to the Hospital IQR, VBP, RRP, HAC, and Promoting Interoperability Programs
- Updates to the Transforming Episode Accountability Model and the expansion of the CJR Model as the CJR-X model

IPPS Quality Programs

FFY 2027 IPPS Final Rule: VBP

- **Beginning with the FFY 2032 program, CMS is modifying the five mortality measures in the Clinical Outcomes domain**
  - Expanding the inclusion criteria to include Medicare Advantage (MA) beneficiaries
  - Shortening performance period from three years to two years

Readmission Reduction Program (RRP)

FFY 2027 IPPS Final Rule: RRP

- **Beginning with the FFY 2029 program, CMS will add the Hospital 30-Day, All-Cause, Risk-Standardized Readmission Rate Following Sepsis Hospitalization (Sepsis Readmission) measure**
  - Methodology calculation will align with methodology for current measures in the RRP
  - "Early Look" of Sepsis Readmission measure results and estimated payment adjustments for the FFY 2028 program (July 1, 2024 – June 30, 2026) and FFY 2029 program (July 1, 2025 – June 30, 2027)
  - Data would not be publicly reported or used for payment adjustments until the FFY 2030 program (July 1, 2026 – June 30, 2028)

Hospital Acquired Condition (HAC) Reduction Program

FFY 2027 IPPS Final Rule: HAC

- No updates to the HAC Reduction Program at this time

Hospital Inpatient Quality Reporting (IQR) Program

FFY 2027 IPPS Final Rule: IQR Program

- **Modifying the following Excess Days in Care (EDAC) measures to expand inclusion criteria to include MA beneficiaries and update performance period from three years to two years beginning with FFY 2028 payment determination:**
  - EDAC after Hospitalization for Acute Myocardial Infarction (AMI EDAC)
  - EDAC after Hospitalization for Heart Failure (Heart Failure EDAC)
  - EDAC after Hospitalization for Pneumonia (Pneumonia EDAC)
- **Risk adjustment methodology for EDAC measures will use individual ICD-10 codes instead of Hierarchical Condition Categories (HCCs) beginning with FFY 2028 payment determination.**

FFY 2027 IPPS Final Rule: IQR Program

- **Beginning with FFY 2028 program CMS is modifying five mortality measures (MORT-30-AMI, MORT-30-HF, MORT-30-PN, MORT-30-COPD, MORT-30-CABG)**
  - Expand measure inclusion criteria to include MA beneficiaries
  - Shorten performance period from three years to two years
  - Public reporting to begin with July 2027 Care Compare update
  - Measures will be removed from IQR program beginning with FFY 2032 program year
  - Technical updates to risk adjustment methodology to use individual ICD-10 codes instead of the current HCCs
- **CMS adopted three new measures:**
  - EDAC After Hospitalization for Diabetes measure beginning with FFY 2029 payment determination
  - Advance Care Planning eCQM beginning with FFY 2030 payment determination
  - Hospital Harm-Postoperative Venous Thromboembolism (VTE) eCQM measure beginning with FFY 2030 payment determination

FFY 2027 IPPS Final Rule: IQR Program

- **Removing the following measures beginning with FFY 2030 payment determination:**
  - VTE Prophylaxis (VTE-1) eCQM
  - Intensive Care Unit VTE Prophylaxis (VTE-2) eCQM
  - Discharged on Antithrombotic Therapy (STK-02) eCQM
- **Mandatory reporting for Malnutrition Care Score eCQM beginning with CY 2028 reporting period**
- **Updated reporting requirements for Maternal Morbidity Structural Measure**
  - Require hospitals to report name of perinatal quality improvement collaborative program if hospital answers “yes” to measure question
  - A hospital that attests “yes” to the measure question but does not provide the name of the perinatal quality improvement collaborative program in which they participate will not be considered as successfully reporting all requirements for the measure and would be subject to a payment penalty.

DataGen Analysis Walkthrough

IPPS Model – Hospital Report

Controls to allow users to filter impacts

Breakout impacts have an arrow in front of them, are italicized, and in grey

- [x] [All]
- [ ] > Change due to WI and LS (Prior to Rural Floor)
- [ ] > Change in LS (Isolated from Previous Breakouts)
- [ ] > Current 5% Stop Loss BN
- [ ] > Current Rural Floor BN
- [ ] > Current Rural Floor WI
- [ ] > Expiration of Previous 5% Stop Loss BN
- [ ] > Expiration of Previous Low WI Removal Transition BN
- [ ] > Low WI Removal Transition BN
- [ ] > MS-DRG Case-Mix Updates
- [ ] > MS-DRG Reclassification and Recalibration BN
- [ ] > MS-DRG Weight 10% Reduction Cap BN
- [ ] > Removal of Previous Rural Floor BN
- [ ] > VBP
- [ ] > WI and Geographic Reclassification BN
- [ ] ACA-Mandated Market Basket Reduction
- [ ] Change in Hospital Specific Rate

Provider Impact Details	Operating		Capital		Total	
	Dollar Impact	% Change	Dollar Impact	% Change	Dollar Impact	% Change
Market Basket Update (Includes BN)	$296,500	3.5%	$13,200	3.0%	$309,600	3.5%
ACA-Mandated Market Basket Reduction	($59,800)	-0.7%	N/A	N/A	($59,800)	-0.7%
MS-DRG Updates	($40,300)	-0.5%	($2,600)	-0.6%	($42,900)	-0.5%
> MS-DRG Case-Mix Updates	*($28,200)*	*-0.3%*	*($1,900)*	*-0.4%*	*($30,100)*	*-0.3%*
> MS-DRG Reclassification and Recalibration BN	*($10,200)*	*-0.1%*	*($600)*	*-0.1%*	*($10,800)*	*-0.1%*
> MS-DRG Weight 10% Reduction Cap BN	*($1,900)*	*0.0%*	*($100)*	*0.0%*	*($2,000)*	*0.0%*
WI/GAF (Wage Data and Reclassification)	$146,800	1.7%	$46,500	10.7%	$193,300	2.2%
> Removal of Previous Rural Floor BN	*$20,700*	*0.2%*	*$7,000*	*1.6%*	*$27,700*	*0.3%*
> Change due to WI and LS (Prior to Rural Floor)	*$116,700*	*1.4%*	*$36,900*	*8.5%*	*$153,700*	*1.7%*
> Current Rural Floor WI	*$300*	*0.0%*	*$100*	*0.0%*	*$300*	*0.0%*
> Current Rural Floor BN	*($14,100)*	*-0.2%*	*($4,300)*	*-1.0%*	*($18,400)*	*-0.2%*
> WI and Geographic Reclassification BN	*$23,200*	*0.3%*	*$6,800*	*1.6%*	*$30,000*	*0.3%*
> Change in LS (Isolated from Previous Breakouts)	*$5,100*	*0.1%*	*N/A*	*N/A*	*$5,100*	*0.1%*
WI/GAF (Other Changes)	($10,800)	-0.1%	($3,400)	-0.8%	($14,200)	-0.2%
> Expiration of Previous Low WI Removal Transition BN	*$300*	*0.0%*	*$100*	*0.0%*	*$500*	*0.0%*
> Expiration of Previous 5% Stop Loss BN	*$800*	*0.0%*	*$300*	*0.1%*	*$1,100*	*0.0%*
> Current 5% Stop Loss BN	*($11,600)*	*-0.1%*	*($3,800)*	*-0.9%*	*($15,400)*	*-0.2%*
> Low WI Removal Transition BN	*($300)*	*0.0%*	*($100)*	*0.0%*	*($400)*	*0.0%*
Change in Hospital Specific Rate	($1,528,000)	-18.1%	N/A	N/A	($1,528,000)	-17.3%
Quality Based Payment Adjustments	($75,800)	-0.9%	$0	0.0%	($75,800)	-0.9%
> VBP	*($75,800)*	*-0.9%*	*N/A*	*N/A*	*($75,800)*	*-0.9%*
Net Change due to Low Volume Adjustment	($797,100)	-9.5%	($37,200)	-8.5%	($834,300)	-9.4%

IPPS Model – Hospital Payments

Operating Rate

		Final FFY 2026	Final FFY 2027	% CHG
Federal Operating Rate Adjusted for Wage Index, VBP, Readmissions, IME, and DSH				
Federal Operating Rate	*a*	$6,752.61	$6,848.98	1.43%
Labor-Share	*b*	62.00%	62.00%	0.00%
Wage Index	*c*	0.8767	0.8812	0.51%
COLA	*d*	1.0000	1.0000	0.00%
Federal Operating Rate Adjusted for Wage Index [(a * b * c) + ((1 - b) *a * d)]	*e*	$6,236.399976	$6,344.511529	1.73%
VBP Adjustment Factor	*f*	1.007469	1.004891	-0.26%
Readmissions Adjustment Factor	*g*	0.9926	0.9926	0.00%
IRB		0.0000	0.0000	
IME Adjustment Factor	*h*	0.000000	0.000000	
IME Adjustment Amount		$0.00	$0.00	
DSH Percent		21.90%	21.90%	
DSH Adjustment Factor	*i*	0.018206	0.018206	0.00%
DSH Adjustment Amount (includes transition adjustment)		$172,399.88	$174,828.27	1.41%
Federal Operating Rate Adjusted for Wage Index, VBP, Readmissions, IME, and DSH [e * (1 + h + i + (f - 1) + (g - 1))]	*j*	$6,350.37	$6,444.10	1.48%
Per Discharge Amount				
Case-Mix Index (adjusted for transfers)	*k*	1.440800	1.434700	-0.42%
Total Case Mix-Adjusted Rate [j * k]	*l*	$9,149.62	$9,245.35	1.05%

DSH UCC Payments				
Factor 1: Total Funding for UCC Payments	*m*	$16,550,000,000.00	$15,797,000,000.00	-4.55%
Factor 2: ACA-Mandated DSH UCC Pool Reduction	*n*	-37.86%	-32.86%	-13.21%
Total UCC Pool [m * (1 + n)]	*o*	$7,713,127,500.00	$7,939,472,850.00	2.93%
DSH UCC Eligibility (Based on the CMS FFY 2027 DSH Supplemental File)		Eligible	Eligible	
Factor 3: Hospital-Specific UCC Payment Factor	*p*	0.000107674	0.000099525	-7.57%
DSH UCC Payment [o * p]	*q*	$830,503.29	$790,176.04	-4.86%
Total Payment				
Medicare Cases Billed (adjusted for transfers)	*r*	1,053.85	1,054.95	0.10%
Low Volume Hospital Adjustment Factor (Extended to December 31, 2026)	*s*	5.26%	5.26%	0.00%
Estimated Operating Payments Subject to HAC Reduction [(l * r + q) * (1 + s)]	*t*	$11,023,446.03	$10,682,147.30	-3.10%
HAC Penalty Determination	*u*	Not Penalized	Not Penalized	
HAC Penalty Impact (1.0% Reduction to Payments) [t * 1.0%]	*v*	$0.00	$0.00	
Estimated HAC-Adjusted Operating Payments [t + v]	*w*	$11,023,446.03	$10,682,147.30	-3.10%
Total VBP Impact (included in above payment)		$70,726.96	$46,966.57	-33.59%
Total RRP Impact (included in above payment)		($70,072.59)	($71,059.62)	1.41%

Some fields include expanded decimal places so that the calculations can be followed without significant deviations due to rounding

IPPS Model – Hospital Payments

		Final FFY 2026	Final FFY 2027	% CHG
Per Discharge Amount				
Hospital-Specific Rate	*a*	$10,224.976892	$10,444.630000	2.15%
Case-Mix Index (not adjusted for transfers)	*b*	1.4746	1.4674	-0.49%
Total Case Mix Adjusted Hospital-Specific Rate [a * b]	*c*	$15,077.750925	$15,326.450000	1.65%
Hospital-Specific Payment				
Medicare Cases Billed (not adjusted for transfers)	*d*	1,095	1,095	
Estimated Operating Payments: 100% Hospital-Specific Rate [c * d]	*e*	$16,510,137.262813	$16,782,462.817890	1.65%
Estimated Operating Payment: 100% Federal Rate for Comparison Operating Rate [e*(1 + h + i)*(k * r) + q)]	*f*	$10,472,172.321062	$10,567,655.763744	0.91%
MDH Rate Add-on [0.75 * e - 0.75 * (t from federal operating section, less quality and LVA)]	*g*	$2,982.42	$216.95	-92.73%
Estimated Operating Payments: MDH 75% / 25% Blend [g * d + (t from operating rate section, less quality and LVA)]	*h*	$14,793,020.204766	$9,778,347.519841	-33.90%
Adjustment for VBP and Readmissions	*i*	$967.312620	($27,016.730795)	-2,892.97%
Low Volume Hospital Adjustment Factor (Extended to December 31, 2026)	*j*	5.26%	5.26%	0.00%
HAC Penalty Determination	*k*	Not Penalized	Not Penalized	
HAC Penalty Impact (1.0% Reduction to Payments) [(e or h) * -1.0%]	*l*	$0.00	$0.00	
Estimated Quality Adjusted Operating Payments [((e or h) + i + l) * (1 + j)]	*m*	$15,790,338.16	$11,859,777.91	-24.89%
Payment Status				
Special Payment Status		Paid at Blended Rate	Paid at Blended Rate	

		Final FFY 2026	Final FFY 2027	% CHG
Federal Capital Rate Adjusted for GAF, IME, and DSH				
Federal Capital Rate	*a*	$524.15	$540.03	3.03%
Geographic Adjustment Factor (GAF)	*b*	0.913828	0.917037	0.35%
COLA	*c*	1.0000	1.0000	0.00%
Interns & Residents per Average Daily Census (IRC)		0.0000	0.0000	
IME Adjustment Factor	*d*	0.000000	0.000000	
IME Adjustment Amount		$0.00	$0.00	
DSH Percent		21.90%	21.90%	
DSH Adjustment Factor	*e*	0.000000	0.000000	
DSH Adjustment Amount		$0.00	$0.00	
Federal Capital Rate Adjusted for GAF, IME, and DSH [a * b * c * (1 + d + e)]	*f*	$478.98	$495.23	3.39%
Per Discharge Amount				
Case-Mix Index (adjusted for transfers)	*g*	1.440800	1.434700	-0.42%
Total Case Mix-Adjusted Rate [f * g]	*h*	$690.12	$710.50	2.95%
Total Payment				
Medicare Cases Billed (adjusted for transfers)	*i*	1,053.85	1,054.95	0.10%
Low Volume Hospital Adjustment Factor (Extended to December 31, 2026)	*j*	5.26%	5.26%	0.00%
Estimated Capital Payments subject to HAC Reduction [h * i * (1 + j)]	*k*	$765,518.91	$759,397.30	-0.80%
HAC Penalty Determination	*l*	Not Penalized	Not Penalized	
HAC Penalty Impact (1.0% Reduction to Payments) [1.0% * k]	*m*	$0.00	$0.00	
Estimated HAC-Adjusted Capital Payments[k + m]	*n*	$765,518.91	$759,397.30	-0.80%

IPPS Model – Hospital Payments

	Final FFY 2026	Final FFY 2027
Home Wage Index		
CBSA	Rural Tennessee (44)	Rural Tennessee (44)
Wage Index	0.8134	0.8170
Out-Migration Adjustment	0.0141	0.0141
Final Home Wage Index	0.8275	0.8311
Reclassified Wage Index		
CBSA	Nashville-Davidson--Murfreesboro--Franklin, TN (34980)	Not Applicable
Reclassification Type	Review Board Reclass	Not Applicable
Reclassified Wage Index	0.882	Not Applicable
Wage Index Used		
Wage Index Used for Payment (reflects changes due to 5% stop loss and low wage index transition)	0.8820	0.8379
GAF Used for Payment	0.9176	0.8859

IPPS Model – Top 25 DRGs

MS-DRG	Description	Volume	FFY 2026 Est. Payment	FFY 2027 Est. Payment	Difference	Percent Change
871	Septicemia or severe sepsis without mv >96 hours with mcc	113	$1,504,774	$1,487,849	($16,926)	-1.12%
291	Heart failure and shock with mcc	96	$860,725	$845,124	($15,601)	-1.81%
193	Simple pneumonia and pleurisy with mcc	34	$314,725	$306,203	($8,522)	-2.71%
177	Respiratory infections and inflammations with mcc	37	$398,191	$406,016	$7,825	1.97%
280	Acute myocardial infarction, discharged alive with mcc	47	$521,621	$515,935	($5,687)	-1.09%
190	Chronic obstructive pulmonary disease with mcc	17	$133,118	$128,232	($4,886)	-3.67%
872	Septicemia or severe sepsis without mv >96 hours without mcc	25	$178,293	$174,034	($4,259)	-2.39%
189	Pulmonary edema and respiratory failure	21	$182,150	$178,600	($3,550)	-1.95%
481	Hip and femur procedures except major joint with cc	15	$222,955	$226,394	$3,438	1.54%
065	Intracranial hemorrhage or cerebral infarction with cc or tpa in 24 hours	16	$112,230	$109,375	($2,855)	-2.54%
637	Diabetes with mcc	11	$112,760	$110,043	($2,717)	-2.41%
683	Renal failure with cc	24	$146,524	$143,944	($2,580)	-1.76%
698	Other kidney and urinary tract diagnoses with mcc	22	$240,725	$238,294	($2,432)	-1.01%
689	Kidney and urinary tract infections with mcc	14	$111,379	$109,161	($2,218)	-1.99%
308	Cardiac arrhythmia and conduction disorders with mcc	12	$105,139	$103,050	($2,089)	-1.99%
392	Esophagitis, gastroenteritis and miscellaneous digestive disorders without mcc	13	$71,644	$69,679	($1,966)	-2.74%
690	Kidney and urinary tract infections without mcc	18	$102,596	$100,669	($1,927)	-1.88%
194	Simple pneumonia and pleurisy with cc	12	$67,143	$65,554	($1,589)	-2.37%
682	Renal failure with mcc	25	$252,969	$251,609	($1,360)	-0.54%
178	Respiratory infections and inflammations with cc	12	$80,123	$79,339	($783)	-0.98%
640	Miscellaneous disorders of nutrition, metabolism, fluids and electrolytes with mcc	14	$132,181	$131,717	($464)	-0.35%
281	Acute myocardial infarction, discharged alive with cc	11	$73,447	$73,129	($318)	-0.43%
641	Miscellaneous disorders of nutrition, metabolism, fluids and electrolytes without mcc	15	$81,248	$81,548	$300	0.37%
310	Cardiac arrhythmia and conduction disorders without cc/mcc	14	$56,026	$55,889	($136)	-0.24%
522	Hip replacement with principal diagnosis of hip fracture without mcc	16	$239,525	$239,449	($76)	-0.03%