IPPS, OPPS, MA, and Medicaid Updates

- Summary of 2026 IPPS Final Rules & 2026 Proposed Rule OPPS with selected reimbursement and regulatory items
- Co-presented by Steven Hand, Tampa General Hospital and David Williams, CRI Advisors

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Agenda

- IPPS 2026 Final Rule
- OPPS 2026 Final Rule
- MA 2025 Final Rule
- Medicaid and Supplemental payments

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IPPS 2026 Final Rule – Payment Updates

- 2.6% federal payment increase
- Diagnosis severity recalibration
- TEAM bundled payments for surgeries
- Low volume threshold @ 31

MS – DRG	FY 2026 weight	FY 2025 weight
499 Hip & Femur	2.0148	1.1608
783 C Section	2.4551	1.8421
624 Skin grafts	1.2519	1.0031
804 Blood proc	1.3560	1.1056
257 Limb amp	1.0922	.8919

MS – DRG	FY 2026 weight/CAP	FY 2025 weight
010 Pancreas	3.0699	7.9730
779 Abortion	.8413	.9348
817 Other APD	2.2816	2.1859
488 Knee	1.7689	1.9654
506 Thumb or joint	1.3492	1.4991

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Budget Neutrality on Payment Rates

Wage Index > 1.0	FY 2026 Final Rule	FY 2025 Final Rule	Change %
Labor – Related	$4,456.72	$4,478.09	-.5%
Non-Labor	$2,295.89	$2,146.30	7.0%
Capital	$524.15	$512.14	2.3%
Total Rate	$7,276.76	$7,136.53	2.0%

Wage Index < 1.0	FY 2026 Final Rule	FY 2025 Final Rule	Change %
Labor – Related	$4,186.62	$4,107.12	1.9%
Non-Labor	$2,565.99	$2,517.27	1.9%
Capital	$524.15	$512.14	2.3%
Total Rate	$7,276.76	$7,136.53	2.0%

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Outliers

Final outlier threshold for FY 2026 is $40,397

MORE IMPORTANT

- Outlier Reconciliation - $500,000 and +/- 20% change in CCR beginning 10/1/24
- New Hospitals – 1st year reconciliation

			FY 2020 Cost Report Data (Mar 2025)					PSF Data (Mar 2025)		MAC Mock FY 2020 Outlier Reconciliation Report				Calculation of Outlier Reconciliaton Adjustments			
CCN	FY Begin Date	FY End Date	Operating Outliers Paid	Capital Outliers Paid	Total Outliers Paid	Operating CCR	Capital CCR	Avg Paid Operating CCR	Average Paid Capital CCR	Operating Outliers Paid	Capital Outliers Paid	Operating Outliers with actual CCR	Capital Outliers with actual CCR	Estimate of Operating Outliers with actual CCR	Estimate of Capital Outliers with actual CCR	Estimate of Operating Outlier Reconciliation Amount	Estimate of Capital Outlier Reconciliation Amount
370190	07/01/20	05/31/21	851,085	138,975	990,060	0.331	0.046	0.268	0.034	851,085	138,975	1,464,247	260,073	1,464,247	260,072	613,162	121,097
450028	05/01/20	04/30/21	510,122	87,678	597,800	0.060	0.006	0.082	0.009	510,122	87,678	150,481	26,416	150,481	26,416	-359,641	-61,262
450056	07/01/20	06/30/21	3,705,690	190,235	3,895,925	0.173	0.011	0.143	0.009	3,735,803	191,869	6,879,591	370,663	6,824,137	367,506	3,118,447	177,271
450128	01/01/20	12/31/20	691,956	87,379	779,335	0.137	0.013	0.210	0.018	693,347	88,763	96,465	13,776	96,271	13,561	-595,685	-73,818
450379	01/01/20	12/31/20	529,506	153,767	683,273	0.093	0.015	0.167	0.026	529,506	153,767	19,974	10,916	19,974	10,916	-509,532	-142,851

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IPPS 2026 Final Rule – Payment Updates

- 2.6% federal payment increase
- Diagnosis severity recalibration
- TEAM bundled payments for surgeries
- Low volume threshold @ 31 eliminates risk

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TEAM Model recap

- Finalized in IPPS FY 25 Rule
- Mandatory for 740+ hospitals
- 5 high volume high cost surgeries
- Goal – reduce cost and improve outcomes
- 5 year model 1/1/2026 and ends 12/31/2030
- Medicare FFS only

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IPPS 2026 Final Rule – Quality & Policies

- Quality reporting changes – ECE extended to 180 days
- MDH & Low Volume programs may expire ($500M impact)
- Low-Wage Index Policy discontinued FY2026
- Uncompensated Care pool: $14.3B → $16.6B

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MDH and Low Volume Hospitals

- Programs expired September 30
- Extended through subsequent legislation CR
- MDH impacts 160 Hospitals
- Low Volume affects 600 Hospitals
- Estimated loss of funding totals $500 million

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IPPS 2025 Final Rule – Quality & Policies extended

- Quality reporting changes – ECE extended to 180 days
- Removal of VBP Health Equity adjustment
- Less focus on SDH

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Low Wage Index Hospital Policy Reversal

- Implemented in FY 2020 to address wage index disparities
  - Budget neutrality challenged in Bridgeport case
  - The policy set a floor at 25th percentile
  - FY 2026 there is an exception for hospitals with a decrease of 9.75% or more, the affected Hospitals will be paid at 90.25% of its FY 24 wage index

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FY 2026 CBSAs

Used same areas as determined for FY 2025

Based upon 2020 Census results

FY 2025 impacts hospitals in various ways

Closest CBSA for geographic reclassification

Designation status – SCH, RRC, MDH, etc.

Grant awards

RHC site determination

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Urban to Rural reclassification

- Section 412.103 allows for benefits of Urban hospitals as a rural hospital
  - Teaching program benefits
  - RRC with wage index reclassification benefits
- IMPORTANT – recent discussion on Capitol Hill

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Uncompensated Care Pool

- FY 2026 Final Pool - $7.713b Factor 2 (75%)
- FY 2025 Final Pool - $5.705b Factor 2 (75%)
- UCP increase $2.008 billion or + 35%
- Funds will be distributed to approximately 2,400 hospitals

AI's attempt at a graphic for the Uncompensated Care Pool

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	% Change
Fee Schedule increase factor, Wage and Provider Adjustments	2.40%
Drug Administration Reduction	-0.30%
Difference from 2025 outlier payments (.92% v 1.0)	0.08%
Difference in Pass-Through Payments	-0.22%
Subtotal	1.96%
340 (B) Acquired Drugs Recoupment Adjustment	-1.90%
Total impact for FY 2026	0.06%

OPPS 2026 Proposed Rule

- Net update: +0.06%
- Fee schedule +2.4%, drug admin -0.3%
- 340B recoupment adjustment -1.9%

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Example of proposed rule

OPPS impact
FY 2026

	% Change	
Fee Schedule increase factor, Wage and Provider Adjustments	2.40%	See note below
Drug Adminstration Reduction	-0.30%	(This will apply to off-campus provider based departments)
Difference from 2025 outlier payments (.92% v 1.0)	0.08%	
Difference in Pass-Through Payments	-0.22%	
Subtotal	1.96%	
340 (B) Acquired Drugs Recoupment Adjustment	-1.90%	
Total impact for FY 2026	0.06%	

OPPS payments FY 2024	28,202,492
Total Impact for FY 2025	3.40%
OPPS updated for FY 2025	29,161,377
FY 2026 base	29,161,377
FY 2026 Impact factor	0.06%
Estimated OPPS payments for FY 2026 with same volume	29,178,874

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Considerations under Proposed Rule

As in past years, CMS is standardizing the relative weights based on APC 5012 and HCPCS code G0463 (a hospital outpatient clinic visit) which is the most billed OPPS service. CMS will give APC 5012 a relative weight of 1.0 and divide the geometric mean costs of all other APCs by the geometric mean cost for APC 5012 to determine its associated relative payment weight. Even though CMS is paying for clinic visits furnished in an off-campus provider-based department at a PFS equivalent rate under a site neutral policy, CMS will continue to use visits in these settings to determine the relative weight scaler because the PFS adjuster is applied to the payment, not the relative weight. CMS' site neutral policy is not budget neutral while changes to the weights are budget neutral.

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OPPS 2026 Proposed Rule

Recent rule requires MA plans to similarly scrutinize inpatient short stays.

IMPORTANT – MA's may have been using a misapplication of the rule

Dispute process is lengthy

Reduction in payments for drug administration

Phase out of IPO list over 3 years

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MA 2025 Final Rule

Marketing restrictions for 3rd parties

Pre-authorization coverage protections

MA beneficiaries now in Medicare measures

aetna · KAISER PERMANENTE · cigna healthcare · UnitedHealthcare · Humana

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MA – 340B & Drugs

- Lump sum recoupment: $7.8B over 6 years
- Pilot program for 10 drugs → providers pay upfront, rebate later

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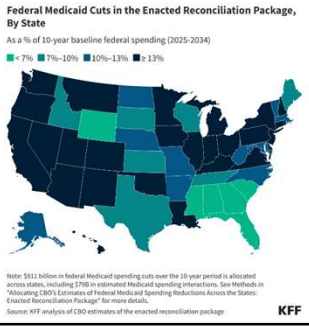
Medicaid & Supplemental Payments

- Provider Taxes: Safe harbor phase-down to 3.5% from 6%
- State Directed Payments capped at Medicare rates
- Tighter rules on uniform provider taxes (IGT scrutiny)



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ACR Payments to 110% Medicare

OBBB Medicaid MHAP & DSH Impact
MHAP Delta Reduction Model

Count	Medicare ID	Medicaid ID	Hospital Name	Combined - Compounded Impact									
				2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total All Hospitals				$ 50,804	$ 50,804	$ 50,804	$ (86,802,095)	$ (171,888,481)	$ (245,564,653)	$ (315,866,545)	$ (383,292,052)	$ (460,907,905)	$ (548,900,399)	$ (608,295,331)

OBBB Medicaid MHAP & DSH Impact
MHAP Gross Reduction Model

Count	Medicare ID	Medicaid ID	Hospital Name	Combined - Compounded Impact							
				2026	2027	2028	2029	2030	2031	2032	2033
Total All Hospitals				$ 50,804	$ 50,804	$ 50,804	$ (160,680,162)	$ (297,248,657)	$ (425,930,888)	$ (590,256,870)	$ (608,295,331)

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Delta vs Gross

MHAP		
Key Metric Assumptions		
Baseline MHAP Pmts	$1,510,325,958	
Medicaid MCO claim payments	$626,552,865	
Total Medicaid MCO payments	$2,136,878,823	
2026 Medicaid to commercial pmt ratio	93.52%	(per DOM)
2026 Medicaid to Medicare pmt ratio	186.75%	(per DOM)
OBBB target rate	110%	
Percentage above target	76.75%	
Medicaid MCO target pmts @ 110%	1,258,670,257	
Current pmt level above target	878,208,566	
MHAP level to meet 110% target	632,117,392	
10% pt annual decrease amount	114,424,569	

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Delta vs Gross

Phasedown scenario - Delta		
	2029	114,424,569
	2030	114,424,569
	2031	114,424,569
	2032	114,424,569
	2033	114,424,569
	2034	114,424,569
	2035	114,424,569
	2036	77,236,583
Total		878,208,566

Phasedown scenario - Gross		
	2029	213,687,882
	2030	213,687,882
	2031	213,687,882
	2032	213,687,882
	2033	23,457,037
		878,208,566

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