Issue Brief

FEDERAL ISSUE BRIEF

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

April 4, 2026

CMS Proposes Fiscal Year 2027 PPS Skilled Nursing Facility Update and Quality Reporting Program Requirements

The Centers for Medicare & Medicaid Services (CMS) are issuing a proposed rule that would update the Skilled Nursing Facility (SNF) Prospective Payment System (PPS) for fiscal year (FY) 2027, as required under section 1888(e)(4)(E) of the Social Security Act (the Act).

CMS is proposing to continue to use the concurrent pre-floor, pre-reclassified Inpatient Prospective Payment System (IPPS) hospital wage index as the basis for the SNF wage index.

CMS is not proposing any substantive changes to the Patient Driven Payment Model (PDPM) ICD-10 code mappings.

The proposal updates the SNF Quality Reporting Program (QRP) including removing two measures from the program, specifically the COVID-19 Vaccination Coverage Among Healthcare Personnel (HCP) Measure and the COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date Measure.

CMS is proposing the revision of the SNF QRP data submission deadlines. In addition, CMS is proposing to require the submission of the minimum data set (MDS) on each resident receiving covered skilled care in a SNF, regardless of payer. Finally, CMS is requesting comment on future measure concepts for the SNF QRP.

CMS is proposing updates to the Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program, including estimating performance standards and updating the review and correction policy for measures calculated with MDS assessment data.

This proposed rule also includes a Request for Information (RFI) on the methodology for quantifying and addressing case-mix creep under PDPM.

The proposal is scheduled for publication in the ***Federal Register*** on April 6. A copy is currently available at: https://public-inspection.federalregister.gov/2026-06674.pdf.

Questions? Contact Andrew Wheeler, MHA's Vice President of Federal Finance, at 573-893-3700 | ext. 136 or awheeler@MoHospitals.org

A 60-day comment period ending June 1 is provided.

The wage index tables can be accessed at: https://www.cms.gov/files/zip/cms-1843-p-wage-index-tables-fy-2027-proposed.zip.

Comment

The proposed rule does not contain a table of contents. As usual, we are adding page numbers in red.

Estimated Cost And Benefits (Page 5)

Updates	Estimated Total Transfers/Costs
FY 2027 SNF PPS payment rate update	The overall economic impact of this proposed rule is an estimated increase of $888 million in aggregate payments to SNFs during FY 2027.
FY 2028 SNF QRP changes due to the removal of two measures	The overall economic impact of this proposed rule to SNFs is an estimated decrease of $8.3 million annually to SNFs beginning with the FY 2028 SNF QRP.
FY 2031 SNF QRP changes due to the requirement to submit MDS data on each resident receiving skilled care regardless of payer	The overall economic impact of this proposed rule to those SNFs is an estimated increase of $88 million annually to SNFs beginning with the FY 2031 SNF QRP.
FY 2027 SNF VBP changes	The overall economic impact of the SNF VBP Program is an estimated reduction of $203.41 million in aggregate payments to SNFs during FY 2027.

Proposed SNF PPS Rate-setting Methodology and FY 2027 Payment Update

SNF Market Basket (Page 8)

CMS is proposing a FY 2027 SNF market basket percentage increase of **3.2 percent** based on IHS Global Inc.'s (IGI's) fourth-quarter 2025 forecast of the 2022-based SNF market basket (before application of the productivity adjustment).

Section 1888(e)(5)(B)(ii) of the Act requires CMS to reduce the market basket percentage increase by the productivity adjustment (the 10-year moving average of changes in annual economy-wide private nonfarm business total factor productivity (TFP) for the period ending September 30, 2027), which is estimated to be 0.8 percentage point. (Page 13)

Therefore, the resulting proposed FY 2027 SNF market basket update is equal to **2.4 percent**.

(Page 13)

Forecast Error Adjustment (Page 11)

The SNF PPS program is the only PPS program that provides an adjustment for certain errors in forecasting.

For FY 2025 (the most recently available FY for which there is final data), the forecasted or estimated increase in the SNF market basket was 3.0 percent, and the actual increase for FY 2025 was 2.8 percent, resulting in the actual increase being 0.2 percentage point lower than the estimated increase.

The FY 2027 market basket percentage increase of 3.2 percent will not be adjusted to account for this forecast error.

Unadjusted Federal Per Diem Rates for FY 2026 (Page 14)

The unadjusted Federal per diem rates are divided into six components, five of which are case-mix adjusted components (Physical Therapy (PT), Occupational Therapy (OT), Speech-Language Pathology (SLP), Nursing, and Non-Therapy Ancillaries (NTA)), and one of which is a non-case-mix component, as existed under the previous Resource Utilization Groups, Version IV (RUG-IV) model.

The following tables reflect the proposed unadjusted federal rates for FY 2027, prior to the adjustment for case-mix. (Page 14)

FY 2027 Unadjusted Federal Rate Per Diem—Urban

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	$77.45	$72.09	$28.92	$134.99	$101.85	$120.89

FY 2027 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	$88.29	$81.09	$36.44	$128.98	$97.31	$123.13

Case-Mix Adjustment (Page 15)

CMS lists the proposed case-mix adjusted PDPM payment rates for FY 2027, provided separately for urban and rural SNFs, as shown in the tables below. Further, the tables do not reflect adjustments which may be made to the SNF PPS rates as a result of the SNF Value-Based Program, or other adjustments, such as the variable per diem adjustment, and area wage index.

PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—URBAN

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
A	1.45	$112.30	1.41	$101.65	0.64	$18.51	ES3	3.84	$518.36	3.06	$311.66
B	1.61	$124.69	1.54	$111.02	1.72	$49.74	ES2	2.90	$391.47	2.39	$243.42
C	1.78	$137.86	1.60	$115.34	2.52	$72.88	ES1	2.77	$373.92	1.74	$177.22

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
D	1.81	$140.18	1.45	$104.53	1.38	$39.91	HDE2	2.27	$306.43	1.26	$128.33
E	1.34	$103.78	1.33	$95.88	2.21	$63.91	HDE1	1.88	$253.78	0.91	$92.68
F	1.52	$117.72	1.51	$108.86	2.82	$81.55	HBC2	2.12	$286.18	0.68	$69.26
G	1.58	$122.37	1.55	$111.74	1.93	$55.82	HBC1	1.76	$237.58	-	-
H	1.10	$85.20	1.09	$78.58	2.70	$78.08	LDE2	1.97	$265.93	-	-
I	1.07	$82.87	1.12	$80.74	3.34	$96.59	LDE1	1.64	$221.38	-	-
J	1.34	$103.78	1.37	$98.76	2.83	$81.84	LBC2	1.63	$220.03	-	-
K	1.44	$111.53	1.46	$105.25	3.50	$101.22	LBC1	1.35	$182.24	-	-
L	1.03	$79.77	1.05	$75.69	3.98	$115.10	CDE2	1.77	$238.93	-	-
M	1.20	$92.94	1.23	$88.67	-	-	CDE1	1.53	$206.53	-	-
N	1.40	$108.43	1.42	$102.37	-	-	CBC2	1.47	$198.44	-	-
O	1.47	$113.85	1.47	$105.97	-	-	CA2	1.03	$139.04	-	-
P	1.02	$79.00	1.03	$74.25	-	-	CBC1	1.27	$171.44	-	-
Q	-	-	-	-	-	-	CA1	0.89	$120.14	-	-
R	-	-	-	-	-	-	BAB2	0.98	$132.29	-	-
S	-	-	-	-	-	-	BAB1	0.94	$126.89	-	-
T	-	-	-	-	-	-	PDE2	1.48	$199.79	-	-
U	-	-	-	-	-	-	PDE1	1.39	$187.64	-	-
V	-	-	-	-	-	-	PBC2	1.15	$155.24	-	-
W	-	-	-	-	-	-	PA2	0.67	$90.44	-	-
X	-	-	-	-	-	-	PBC1	1.07	$144.44	-	-
Y	-	-	-	-	-	-	PA1	0.62	$83.69	-	-

PDPM Case-Mix Adjusted Federal Rates and Associated Indexes—RURAL

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
A	1.45	$128.02	1.41	$114.34	0.64	$23.32	ES3	3.84	$495.28	3.06	$297.77
B	1.61	$142.15	1.54	$124.88	1.72	$62.68	ES2	2.90	$374.04	2.39	$232.57
C	1.78	$157.16	1.60	$129.74	2.52	$91.83	ES1	2.77	$357.27	1.74	$169.32
D	1.81	$159.80	1.45	$117.58	1.38	$50.29	HDE2	2.27	$292.78	1.26	$122.61
E	1.34	$118.31	1.33	$107.85	2.21	$80.53	HDE1	1.88	$242.48	0.91	$88.55
F	1.52	$134.20	1.51	$122.45	2.82	$102.76	HBC2	2.12	$273.44	0.68	$66.17
G	1.58	$139.50	1.55	$125.69	1.93	$70.33	HBC1	1.76	$227.00	-	-
H	1.10	$97.12	1.09	$88.39	2.70	$98.39	LDE2	1.97	$254.09	-	-
I	1.07	$94.47	1.12	$90.82	3.34	$121.71	LDE1	1.64	$211.53	-	-
J	1.34	$118.31	1.37	$111.09	2.83	$103.13	LBC2	1.63	$210.24	-	-
K	1.44	$127.14	1.46	$118.39	3.50	$127.54	LBC1	1.35	$174.12	-	-
L	1.03	$90.94	1.05	$85.14	3.98	$145.03	CDE2	1.77	$228.29	-	-
M	1.20	$105.95	1.23	$99.74	-	-	CDE1	1.53	$197.34	-	-
N	1.40	$123.61	1.42	$115.15	-	-	CBC2	1.47	$189.60	-	-
O	1.47	$129.79	1.47	$119.20	-	-	CA2	1.03	$132.85	-	-
P	1.02	$90.06	1.03	$83.52	-	-	CBC1	1.27	$163.80	-	-
Q	-	-	-	-	-	-	CA1	0.89	$114.79	-	-
R	-	-	-	-	-	-	BAB2	0.98	$126.40	-	-
S	-	-	-	-	-	-	BAB1	0.94	$121.24	-	-
T	-	-	-	-	-	-	PDE2	1.48	$190.89	-	-
U	-	-	-	-	-	-	PDE1	1.39	$179.28	-	-
V	-	-	-	-	-	-	PBC2	1.15	$148.33	-	-
W	-	-	-	-	-	-	PA2	0.67	$86.42	-	-
X	-	-	-	-	-	-	PBC1	1.07	$138.01	-	-
Y	-	-	-	-	-	-	PA1	0.62	$79.97	-	-

Wage Index Adjustment (Page 19)

CMS proposes to use the hospital inpatient wage index data.

The wage indexes applicable to FY 2027 are set forth in Table A and B, available on the CMS website at:

http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html.

Labor-Related-Share (Page 24)

CMS is revising, once again, the labor-share amounts. The following table reflects the current amounts and the proposed FY 2027 rates.

Labor-Related Share, FY 2026 and FY 2027

	Relative Importance, Labor-related Share, FY 2026	**Relative Importance, Proposed Labor-related Share, FY 2027**
Wages and Salaries	53.4	53.5
Employee Benefits	8.9	8.9
Professional Fees: Labor-Related	3.6	3.6
Administrative & Facilities Support Services	0.4	0.4
Installation, Maintenance & Repair Services	0.5	0.5
All Other: Labor-Related Services	2.0	2.0
Capital-Related (0.391* Capital RI)	3.1	3.1
Total	**71.9**	**72.0**

Additional Aspects of the SNF PPS

SNF Level of Care—Administrative Presumption (Page 28)

CMS says it wants "to stress the importance of careful monitoring for changes in each patient's condition to determine the continuing need for Medicare Part A SNF benefits after the assessment reference date (ARD) of the initial Medicare assessment."

Consolidated Billing (Page 30)

Section 1888(e)(2)(A) of the Act excludes a small list of services from the consolidated billing provision (primarily those services furnished by physicians and certain other types of practitioners), which remain separately billable under Medicare Part B when furnished to a SNF's Part A resident.

The latest list of excluded codes can be found on the SNF Consolidated Billing website at: https://www.cms.gov/Medicare/Billing/SNFConsolidatedBilling.

Comment

This section is a perfect example of unneeded redundant history. The provision is 4 pages in length. The only 2 sentences we find necessary to convey to the reader are those listed above – what are excluded services and where to find the latest list. One does not need to read about items from the late 1990s, etc.

Payment for SNF-Level Swing-Bed Services (Page 34)

Section 1883 of the Act permits certain small, rural hospitals to enter into a Medicare swing-bed agreement, under which the hospital can use its beds to provide either acute or SNF level care, as needed. For critical access hospitals (CAHs), Medicare Part A pays on a reasonable cost basis for SNF-level services furnished under a swing-bed agreement. However, in accordance with section 1888(e)(7) of the Act, SNF-level services furnished by non-CAH rural hospitals are paid under the SNF PPS, effective with cost reporting periods beginning on or after July 1, 2002.

The latest changes in the MDS for swing-bed rural hospitals appear on the SNF PPS website at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/index.html.

Other SNF PPS Issues

Technical Updates to the PDPM ICD-10 Mappings (Page 35)

CMS did not identify any substantive changes to the PDPM ICD-10 code mappings. CMS identified only non-substantive updates, which do not alter policy or payment methodology. Consistent with prior practice, CMS implemented these non-substantive updates through a sub-regulatory process by posting the revised PDPM ICD-10 code mappings on the CMS website.

Request for Information: Methodology for Quantifying and Addressing Case-Mix Creep Under the Patient Driven Payment Model (Page 36)

CMS is requesting information to identify and address case-mix creep. Specifically, CMS invites the public to comment on the following:

- The overall methodology for quantifying case-mix creep, including the conceptual framework that separates total case-mix change into real population health and utilization changes, real-time trends, and nominal changes.
- The data sources and measures used to assess real population health and utilization changes, including the use of pre-SNF inpatient claims and selected non-payment MDS items.
- The approach to estimating real-time trends using a study period spanning FY 2017 through FY 2024.
- Alternative approaches to implementing case-mix creep adjustments, including component-specific adjustments versus a system-wide adjustment factor.
- Any other considerations CMS should consider when finalizing a methodology to address case-mix creep in future rulemaking.

Skilled Nursing Facility Quality Reporting Program (SNF QRP)

CMS is proposing to remove two measures, specifically the COVID-19 Vaccination Coverage Among Healthcare Personnel (HCP) measure and the COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date measure, beginning with the FY 2028 SNF QRP. (Page 45)

The SNF QRP currently has 15 adopted measures, which are set forth in the table below. CMS did not propose to adopt any new measures for the SNF QRP in this proposed rule. (Page 46)

Quality Measures Currently Adopted for the SNF QRP

Short Name	Measure Name and Data Source
Assessment-Based	
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	Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients
Discharge Self-Care Score	Application of 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) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP)
TOH-Provider	Transfer of Health (TOH) Information to the Provider Post Acute Care (PAC)
TOH-Patient	Transfer of Health (TOH) Information to the Patient Post Acute Care (PAC)
DC Function	Discharge Function Score
Patient/Resident COVID-19 Vaccine	COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date
Claims-Based	
MSPB SNF	Medicare Spending Per Beneficiary (MSPB)–Post Acute Care (PAC) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP)
DTC	Discharge to Community (DTC)–Post Acute Care (PAC) Skilled Nursing Facility (SNF) Quality Reporting Program (QRP)
PPR	Potentially Preventable 30-Day Post-Discharge Readmission Measure for

Short Name	Measure Name and Data Source
	Skilled Nursing Facility (SNF) Quality Reporting Program (QRP)
SNF HAI	SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization
National Healthcare Safety Network	
HCP COVID-19 Vaccine	COVID-19 Vaccination Coverage among Healthcare Personnel (HCP)
HCP Influenza Vaccine	Influenza Vaccination Coverage among Healthcare Personnel (HCP)

Proposal to Revise SNF QRP Data Submission Deadlines Beginning with the FY 2029 SNF (Page 52)

CMS is proposing to revise the timeframe for data submission from 4.5 months to no later than the 15th day of the second month after the end of the calendar quarter beginning with the FY 2029 SNF QRP. This shortened data submission timeframe is intended to reduce the lag in public reporting by up to three months resulting in more timely public reporting of data for consumers and their families.

Proposal to Revise the SNF QRP Assessment Data Submission Deadline (Page 55)

Beginning with the FY 2029 SNF QRP, CMS is proposing that SNFs must complete their data submissions and make corrections to their MDS assessment data where necessary no later than the 15th day of the second month after the end of the calendar quarter. However, if the 15th day of the second month falls on a Friday, weekend, or Federal holiday, the date is delayed until 11:59 p.m. EST on the next business day.

CMS claims this would align the SNF QRP with other post-acute care settings and CMS programs that already collect data on all patients regardless of payer.

Proposal to Require MDS Data Submission on all SNF Residents Beginning with the FY 2031 SNF QRP (Page 57)

CMS is proposing that SNFs would submit MDS data on all SNF residents regardless of payer when all of the following four criteria are met:

- When the resident is admitted to the SNF for covered skilled nursing services or skilled rehabilitation services, that is, services that must be performed by or under the supervision of professional or technical personnel (see MBPM §§ 30.2 through 30.4) and those services are ordered by a physician.
- The resident requires these skilled services on a daily basis (see MBPM § 30.6).
- As a practical matter, considering economy and efficiency, the daily skilled services can be provided only on an inpatient basis in a SNF (see MBPM § 30.7).
- The services delivered are reasonable and necessary for the treatment of a resident's illness or injury, that is, are consistent with the nature and severity of the individual's illness or injury, the individual's particular medical needs, and accepted standards of medical practice, and are reasonable in terms of duration and quantity.

Updates to the Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program

Estimated Performance Standards for the FY 2029 Program Year (Page 72)

To meet the requirements at section 1888(h)(3)(C) of the Act, CMS is providing estimated numerical performance standards for the remaining measures applicable to the FY 2029 program year: the SNF Healthcare-Associated Infections Requiring Hospitalization (SNF HAI) measure, Total Nurse Staffing Hours per Resident Day (Total Nurse Staffing) measure, Total Nursing Staff Turnover (Nursing Staff Turnover) measure, Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay) (Falls with Major Injury (Long-Stay)) measure, Number of Hospitalizations per 1,000 Long Stay Resident Days (Long Stay Hospitalization) measure, and Discharge Function Score for SNFs (DC Function) measure.

The estimated numerical values for the FY 2029 program year performance standards are shown in the table below. CMS says it will provide the final numerical performance standards for these measures in the FY 2027 SNF PPS final rule.

Estimated FY 2029 SNF VBP Program Performance Standards

Measure Short Name	Achievement Threshold	Benchmark
SNF HAI Measure	0.92183	0.94491
Total Nurse Staffing Measure	3.29119	5.87448
Nursing Staff Turnover Measure	0.42696	0.76652
Falls with Major Injury (Long-Stay) Measure	0.95455	0.99951
Long Stay Hospitalization Measure	0.99768	0.99963
DC Function Measure	0.41935	0.80879

Final Comments

This is the third FY 2027 proposed PPS update issued last week that we have analyzed. One needs to question why all 3 have the same rate of increase.

Please note that we have not summarized all items in the proposal. For example, there is section pertaining to form and manner of reporting information.