Issue Brief

FEDERAL ISSUE BRIEF

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

April 15, 2025

Proposed FY 2026 Skilled Nursing Facility PPS Update Issued

The Centers for Medicare and Medicaid Services (CMS) have issued a proposed rule to update the Medicare Skilled Nursing Facility prospective payment system (SNF) for FY 2026.

The 105-page document is scheduled for publication in the ***Federal Register*** on April 30. A display copy is currently available at:

https://public-inspection.federalregister.gov/2025-06348.pdf.

The proposal provides for a 60-day comment period ending June 10.

The proposed rule would update the annual rates that CMS published in the SNF PPS final rule for FY 2025. In addition, the rule includes a proposed forecast error adjustment for FY 2026. CMS is also proposing several technical revisions to the code mappings used to classify patients under the PDPM to improve payment and coding accuracy.

The wage index tables for this proposed rule can be accessed on the SNF PPS Wage Index home page, at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/WageIndex.html.

The wage index link above does not take you to the FY 2026 tables, but to the FY 2025 tables.

The rulemaking also is updating the requirements for the SNF Quality Reporting Program and the SNF Value-Based Purchasing Program. .

Comments

While CMS has provided a limited table of contents. We are adding page numbers from the display version of the rule.

CMS has provided the following cost and benefit table.

Estimated Cost and Benefits

Proposals	Estimated Total Transfers/Costs
FY 2026 SNF PPS payment rate update	The overall economic impact of this proposed rule is an estimated increase of $997 million in aggregate payments to SNFs during FY 2026.
FY 2027 SNF QRP changes due to the proposed Removal of Four Standardized Patient Assessment Data Elements	The overall economic impact of this proposal to SNFs is an estimated decrease of $2,228,563.12 annually to SNFs beginning with the FY 2027 SNF QRP.

Questions? Contact Andrew Wheeler, MHA's Vice President of Federal Finance, at 573-893-3700 | ext. 1336 or awheeler@mhanet.com.

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Proposals	Estimated Total Transfers/Costs
FY 2027 SNF QRP changes due to the proposed Amendment of the Reconsideration Request Policy and Process for those SNF's requesting an extension to file a request for reconsideration	The overall economic impact of this proposal to those SNFs requesting an extension to file a request for reconsideration is an estimated increase of $2,391.90 annually.
FY 2026 SNF VBP changes	The overall economic impact of the SNF VBP Program is an estimated reduction of $208.36 million in aggregate payments to SNFs during FY 2026.
FY 2027 SNF VBP changes	The overall economic impact of the SNF VBP Program is an estimated reduction of $207.99 million in aggregate payments to SNFs during FY 2027.

SNF PPS RATE SETTING METHODOLOGY AND FY 2026 UPDATE (Page 13)

SNF Market Basket (Page 11)

As outlined in this proposed rule, CMS proposes a FY 2026 SNF market basket percentage increase of 3.0 percent based on IHS Global Inc.'s (IGI's) fourth-quarter 2024 forecast of the 2022-based SNF market basket (before application of the forecast error adjustment and 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, 2026), which is estimated to be 0.8 percentage point.

Forecast Error Adjustment (Page 13)

For FY 2024 (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 2024 was 3.6 percent, resulting in the actual increase being 0.6 percentage point higher than the estimated increase. Accordingly, as the difference between the estimated and actual percentage increase in the market basket exceeds CMS' 0.5 percentage point threshold, the FY 2026 market basket percentage increase of 3.0 percent is adjusted upward to account for the forecast error adjustment of 0.6 percentage point, resulting in a proposed FY 2026 SNF market basket percentage increase of 3.6 percent, which is then reduced by the proposed productivity adjustment of 0.8 percentage point.

This results in a proposed SNF market basket update for FY 2026 of **2.8 percent.**

Unadjusted Federal Per Diem Rates for FY 2026 (Page 17)

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 updated unadjusted federal rates for FY 2025, prior to the adjustment for case-mix. (Page 26)

FY 2026 Unadjusted Federal Rate Per Diem—Urban

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	$75.42	$70.20	$28.16	$131.47	$99.19	$117.73

FY 2026 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	$85.98	$78.96	$35.48	$125.61	$94.76	$119.91

Case-Mix Adjustment (Page 18)

CMS lists the proposed case-mix adjusted PDPM payment rates for FY 2026, 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	$109.36	1.41	$98.98	0.64	$18.02	ES3	3.84	$504.84	3.06	$303.52
B	1.61	$121.43	1.54	$108.11	1.72	$48.44	ES2	2.90	$381.26	2.39	$237.06
C	1.78	$134.25	1.60	$112.32	2.52	$70.96	ES1	2.77	$364.17	1.74	$172.59
D	1.81	$136.51	1.45	$101.79	1.38	$38.86	HDE2	2.27	$298.44	1.26	$124.98
E	1.34	$101.06	1.33	$93.37	2.21	$62.23	HDE1	1.88	$247.16	0.91	$90.26

F	1.52	$114.64	1.51	$106.00	2.82	$79.41	HBC2	2.12	$278.72	0.68	$67.45
G	1.58	$119.16	1.55	$108.81	1.93	$54.35	HBC1	1.76	$231.39	-	-
H	1.10	$82.96	1.09	$76.52	2.7	$76.03	LDE2	1.97	$259.00	-	-
I	1.07	$80.70	1.12	$78.62	3.34	$94.05	LDE1	1.64	$215.61	-	-
J	1.34	$101.06	1.37	$96.17	2.83	$79.69	LBC2	1.63	$214.30	-	-
K	1.44	$108.60	1.46	$102.49	3.50	$98.56	LBC1	1.35	$177.48	-	-
L	1.03	$77.68	1.05	$73.71	3.98	$112.08	CDE2	1.77	$232.70	-	-
M	1.20	$90.50	1.23	$86.35	-	-	CDE1	1.53	$201.15	-	-
N	1.40	$105.59	1.42	$99.68	-	-	CBC2	1.47	$193.26	-	-
O	1.47	$110.87	1.47	$103.19	-	-	CA2	1.03	$135.41	-	-
P	1.02	$76.93	1.03	$72.31	-	-	CBC1	1.27	$166.97	-	-
Q	-	-	-	-	-	-	CA1	0.89	$117.01	-	-
R	-	-	-	-	-	-	BAB2	0.98	$128.84	-	-
S	-	-	-	-	-	-	BAB1	0.94	$123.58	-	-
T	-	-	-	-	-	-	PDE2	1.48	$194.58	-	-
U	-	-	-	-	-	-	PDE1	1.39	$182.74	-	-
V	-	-	-	-	-	-	PBC2	1.15	$151.19	-	-
W	-	-	-	-	-	-	PA2	0.67	$88.08	-	-
X	-	-	-	-	-	-	PBC1	1.07	$140.67	-	-
Y	-	-	-	-	-	-	PA1	0.62	$81.51	-	-

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	$124.67	1.41	$111.33	0.64	$22.71	ES3	3.84	$482.34	3.06	$289.97
B	1.61	$138.43	1.54	$121.60	1.72	$61.03	ES2	2.90	$364.27	2.39	$226.48
C	1.78	$153.04	1.60	$126.34	2.52	$89.41	ES1	2.77	$347.94	1.74	$164.88
D	1.81	$155.62	1.45	$114.49	1.38	$48.96	HDE2	2.27	$285.13	1.26	$119.40

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
E	1.34	$115.21	1.33	$105.02	2.21	$78.41	HDE1	1.88	$236.15	0.91	$86.23
F	1.52	$130.69	1.51	$119.23	2.82	$100.05	HBC2	2.12	$266.29	0.68	$64.44
G	1.58	$135.85	1.55	$122.39	1.93	$68.48	HBC1	1.76	$221.07	-	-
H	1.10	$94.58	1.09	$86.07	2.7	$95.80	LDE2	1.97	$247.45	-	-
I	1.07	$92.00	1.12	$88.44	3.34	$118.50	LDE1	1.64	$206.00	-	-
J	1.34	$115.21	1.37	$108.18	2.83	$100.41	LBC2	1.63	$204.74	-	-
K	1.44	$123.81	1.46	$115.28	3.50	$124.18	LBC1	1.35	$169.57	-	-
L	1.03	$88.56	1.05	$82.91	3.98	$141.21	CDE2	1.77	$222.33	-	-
M	1.20	$103.18	1.23	$97.12	-	-	CDE1	1.53	$192.18	-	-
N	1.40	$120.37	1.42	$112.12	-	-	CBC2	1.47	$184.65	-	-
O	1.47	$126.39	1.47	$116.07	-	-	CA2	1.03	$129.38	-	-
P	1.02	$87.70	1.03	$81.33	-	-	CBC1	1.27	$159.52	-	-
Q	-	-	-	-	-	-	CA1	0.89	$111.79	-	-
R	-	-	-	-	-	-	BAB2	0.98	$123.10	-	-
S	-	-	-	-	-	-	BAB1	0.94	$118.07	-	-
T	-	-	-	-	-	-	PDE2	1.48	$185.90	-	-
U	-	-	-	-	-	-	PDE1	1.39	$174.60	-	-
V	-	-	-	-	-	-	PBC2	1.15	$144.45	-	-
W	-	-	-	-	-	-	PA2	0.67	$84.16	-	-
X	-	-	-	-	-	-	PBC1	1.07	$134.40	-	-
Y	-	-	-	-	-	-	PA1	0.62	$77.88	-	-

Wage Index Adjustment (Page 22)

CMS proposes to that in the absence of SNF-specific wage data, it will use the hospital inpatient wage index data.

The wage index applicable to FY 2026 is 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.

Comment

Clicking on the above link does not bring you to the proposed FY 2026 wage indexes, but rather to FY 2025.

Labor-Related Share, FY 2025 and FY 2026 (Page 27)

The following provides the FY 2026 Labor-Share

	Relative importance, labor-related share, FY 2025 24:2 forecast[1]	Proposed Relative importance, labor-related share, FY 2026 24:4 forecast[2]
Wages and Salaries	53.2	53.3
Employee Benefits	9.2	9.0
Professional Fees: Labor-Related	3.5	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 (.391* Capital RI)	3.2	3.1
Total	72.0	**71.9**

1. Published in the Federal Register; Based on the second quarter 2024 IHS Global Inc. forecast of the 2022-based SNF market basket.

2. Based on the fourth quarter 2024 IHS Global Inc. forecast of the 2022-based SNF market basket. The relative importance of capital for FY 2026 is forecasted to be 8.0 percent.

ADDITIONAL ASPECTS OF THE SNF PPS (Page 31)

SNF Level of Care—Administrative Presumption (Page 31)

In accordance with § 413.345, CMS includes in each update of the Federal payment rates in a discussion of the resident classification system that provides the basis for case-mix adjustment. CMS also designates those specific classifiers under the case-mix classification system that represent the required SNF level of care, as provided in 42 CFR 409.30.

Consolidated Billing (Page 33)

CMS is soliciting public comments to identifying HCPCS codes in any of these five service categories (chemotherapy items, chemotherapy administration services, radioisotope services, customized prosthetic devices, and blood clotting factors) representing recent medical advances that might meet the agencies criteria for exclusion from SNF consolidated billing.

Payment for SNF-Level Swing-Bed Services (Page 37)

All rates and wage indexes outlined in this proposed rule also apply to all non-CAH swing-bed rural hospitals.

OTHER SNF PPS ISSUES (Page 37)

Proposed Clinical Category Changes for New ICD-10 Codes for FY 2026 (Page 39)

Each year, CMS reviews the clinical categories assigned to new ICD–10 diagnosis codes and proposes adding, removing, or changing the assignment to another clinical category if warranted. This year, CMS is proposing to change the clinical category assignment for the following thirty-four new ICD-10 codes that were effective October 1, 2024.

a. Type 1 Diabetes Mellitus

Codes E10.A0 (Type 1 diabetes mellitus, presymptomatic, unspecified), E10.A1 (Type 1 diabetes mellitus, presymptomatic, Stage 1), E10.A2 (Type 1 diabetes mellitus, presymptomatic, Stage 2), and E10.9 (Type 1 diabetes mellitus without complications) were initially assigned to the "Medical Management" clinical category.

CMS says these codes refer to diagnoses in which a patient's Type 1 diabetes is considered presymptomatic, which means a patient has not developed symptoms, or a patient that is not experiencing any complications associated with having diabetes.

CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

b. Hypoglycemia

Codes E16.A1 (Hypoglycemia level 1), E16.A2 (Hypoglycemia level 2), E16.A3 (Hypoglycemia level 3), E16.0 (Drug-induced hypoglycemia without coma), E16.1 (Other hypoglycemia), E16.2 (Hypoglycemia, unspecified), E16.3 (Increased secretion of glucagon), E16.4 (Increased secretion of gastrin), E16.8 (Other specified disorders of pancreatic internal secretion), and E16.9 (Disorder of pancreatic internal secretion, unspecified) were initially assigned to the "Medical Management" clinical category.

CMS says these diagnoses are typically treated using interventions such as, but not limited to, blood sugar monitoring education, dietary counseling, physical exercise education and training, pharmacological interventions, etc.

CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

c. Obesity

Codes E66.811 (Obesity, class 1), E66.812 (Obesity, class 2), E66.89 (Other obesity not elsewhere classified), E66.01 (Morbid (severe) obesity due to excess calories), E66.09 (Other obesity due to excess calories), E66.1 (Drug-induced obesity), E66.3 (Overweight), and E66.9 (Obesity, unspecified) were initially assigned to the "Medical Management" clinical category.

CMS says these diagnoses are typically treated using interventions such as, but not limited to, lifestyle interventions, psychosocial therapy and support, weight management programs, pharmacological interventions, etc.

CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

d. Anorexia Nervosa, Restricting Type

Code F50.010 (Anorexia nervosa, restricting type, mild) was initially assigned to the "Medical Management" clinical category.

CMS proposes to change the mapping of this code from "Medical Management" to the clinical category of "Return to Provider".

e. Anorexia Nervosa, Binge Eating/Purging Type

Codes F50.020 (Anorexia nervosa, binge eating/purging type, mild) and F50.021 (Anorexia nervosa, binge eating/purging type, moderate) were initially assigned to the "Medical Management" clinical category.

CMS does not believe these codes serve appropriately as the primary diagnoses for a Part A-covered SNF stay.

CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

f. Bulimia Nervosa

Codes F50.21 (Bulimia nervosa, mild) and F50.22 (Bulimia nervosa, moderate) were initially assigned to the "Medical Management" clinical category.

CMS does not believe these codes serve appropriately as the primary diagnoses for a Part A-covered SNF stay. CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

g. Binge Eating Disorder

Codes F50.810 (Binge eating disorder, mild) and F50.81(Binge eating disorder, moderate) were initially assigned to the "Medical Management" clinical category.

CMS does not believe these codes serve appropriately as the primary diagnoses for a Part A-covered SNF stay. CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

h. Pica and Rumination Disorder

Codes F50.83 (Pica in adults), F50.84 (Rumination disorder in adults), F98.21 (Rumination disorder of infancy and childhood), and F98.3 (Pica of infancy and childhood) were initially assigned to the "Medical Management" clinical category.

CMS does not believe these codes serve appropriately as the primary diagnoses for a Part A-covered SNF stay. CMS proposes to change the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

i. Serotonin Syndrome

Code G90.81 (Serotonin syndrome) was initially assigned to the "Acute Neurologic" clinical category.

CMS does believe this code serve appropriately as the primary diagnosis for a Part A-covered SNF stay. CMS proposes to change the mapping of this code from "Acute Neurologic" to the clinical category of "Medical Management'.

SKILLED NURSING FACILITY QUALITY REPORTING PROGRAM (SNF QRP) (Page 44)

CMS is proposing to remove four items previously adopted as standardized patient assessment data elements under the social determinants of health (SDOH) category beginning with the FY 2027 SNF QRP: Living Situation (R0310), Food (R0320A and R0320B), and Utilities (R0330).

CMS is also proposing to amend its reconsideration policy and process. Specifically, CMS is proposing to allow SNFs to request an extension to file a request for reconsideration and to update the bases on which CMS can grant a reconsideration request.

The SNF QRP currently has 15 adopted measures, which are listed in the rule's Table 11 on page 45.

SKILLED NURSING FACILITY VALUE-BASED PURCHASING PROGRAM (Page 63)

Proposed Removal of the Health Equity Adjustment (HEA) from the SNF VBP Program Scoring Methodology (Page 63)

CMS is proposing to remove the HEA because the agency believes simplifying the SNF VBP Program's scoring methodology by removing the HEA will improve SNFs' understanding of the program and provide clearer incentives for SNFs as they seek to improve their quality of care for all residents. In addition, the estimated impact of removing the HEA on overall incentive payment adjustments is small.

SNF VBP Program Measures (Page 65)

The table below lists the measures that have been adopted for the SNF VBP Program, along with their status in the program for the FY 2026 program year through the FY 2029 program year.

SNF VBP Program Measures and Status in the SNF VBP Program for the FY 2026 Program Year Through the FY 2029 Program Year

Measure	FY 2026 Program Year	FY 2027 Program Year	FY 2028 Program Year	FY 2029 Program Year
Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM)	Included	Included		
Skilled Nursing Facility Healthcare-Associated Infections Requiring Hospitalization (SNF HAI) measure	Included	Included	Included	Included
Total Nurse Staffing Hours per Resident Day (Total Nurse Staffing) measure	Included	Included	Included	Included
Total Nursing Staff Turnover (Nursing Staff Turnover) measure	Included	Included	Included	Included
Discharge to Community – Post-Acute Care Measure for Skilled Nursing Facilities (DTC PAC SNF)		Included	Included	Included
Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay) (Falls with Major Injury (Long-Stay)) measure		Included	Included	Included
Discharge Function Score for SNFs (DC Function) measure		Included	Included	Included
Number of Hospitalizations per 1,000 Long Stay Resident Days (Long Stay Hospitalization) measure		Included	Included	Included
Skilled Nursing Facility Within-Stay Potentially Preventable Readmissions (SNF WS PPR) measure			Included	Included

SNF VBP Performance Standards (Page 66)

The estimated numerical values for the FY 2028 program year performance standards are shown in Table 14. CMS will provide the final numerical performance standards for the remaining measures applicable for the FY 2028 program year in the FY 2026 SNF PPS final rule.

TABLE 14: Estimated FY 2028 SNF VBP Program Performance Standards

Measure Short Name	Achievement Threshold	Benchmark
SNF HAI Measure	0.92219	0.94693
Total Nurse Staffing Measure	3.21488	5.81159
Nursing Staff Turnover Measure	0.40230	0.75655
Falls with Major Injury (Long-Stay) Measure	0.95349	0.99950
Long Stay Hospitalization Measure	0.99758	0.99959
DC Function Measure	0.40000	0.78800

SNF VBP Performance Scoring Methodology (Page 68)

Proposed Application of the SNF VBP Scoring Methodology to the SNF Within-Stay Potentially Preventable Readmission (SNF WS PPR) Measure Beginning With the FY 2028 Program Year (Page 69)

CMS is proposing to apply the previously finalized scoring methodology codified at § 413.338(e)(1) and § 413.338(e)(3) of its regulations to the SNF WS PPR measure beginning with the FY 2028 program year to align the scoring methodology applied to the SNF WS PPR measure with the scoring methodology previously finalized and applied to all other measures in the SNF VBP Program's measure set.

Proposal to Adopt a SNF VBP Program Reconsideration Process (Page 69)

CMS is proposing to adopt a reconsideration process that will allow SNFs to seek reconsideration of a review and correction request if they are not satisfied with CMS' decision on a review and correction request submitted under section 413.338(f)(2) or (f)(3). CMS is also proposing technical updates to the regulation text to align the submission requirements for the proposed reconsideration process with the submission requirements under the review and correction process.

Proposed SNF VBP Program Reconsideration Process (Page 71)

Beginning with the FY 2027 SNF VBP program year, CMS is proposing to implement a reconsideration request process that would be an additional appeal process available to SNFs beyond the existing Phase One and Phase Two review and correction process. The proposed reconsideration request process would align the SNF VBP Program with other CMS quality programs, including the Expanded Home Health Value-Based Purchasing (HHVBP) Model (42 CFR § 484.375(b)), to "create a familiar" policy experience for providers across CMS quality programs.

Final Comments

CMS says it estimates that the aggregate impact would be an increase of approximately $997 million (2.8 percent) in Part A payments to SNFs in FY 2026. CMS notes that that these impact numbers do not incorporate the SNF VBP Program reductions that that it estimates would total $208.36 million in FY 2026.

In accordance with section 1888(e)(6)(A)(i) of the Act, the Secretary must reduce by 2 percentage points the annual payment update applicable to a SNF for a fiscal year if the SNF does not comply with the requirements of the SNF QRP for that fiscal year.

For the FY 2026 program year, CMS will reduce each SNF's adjusted Federal per diem rate by 2.0 percent. CMS will then redistribute 60 percent of that 2.0 percent withhold to SNFs based on their measure performance.

Based on the 60 percent payback percentage, CMS estimates that it will redistribute approximately $312.53 million (of the estimated $520.89 million in withheld funds) in value-based incentive payments to SNFs in FY 2026, which means that the SNF VBP Program is estimated to result in approximately $208.36 million in savings to the Medicare Program in FY 2026. Perhaps the only value-based partner in this program is the government.

It is worth repeating that the SNF Market-Basket Forecast Error is something that needs to be expanded to all PPS programs. Not only should it apply to the market-basket, but to all forecast estimations, including the outlier system.

CMS says it is intent on paying fairly for services. Not to accommodate forecast estimation differences violates this tenant