Issue Brief

FEDERAL ISSUE BRIEF

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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CMS Issues Proposed IPPS FY 2026 Correction Notice

The Centers for Medicare and Medicaid Services (CMS) are issuing a 7-page correction rule to the Proposed Fiscal Year (FY) 2026 Hospital Inpatient Prospective Payment System.

The rule corrects items published in the ***Federal Register*** on April 30, 2025. The rule is scheduled to be published June 5.

Comment

This is a difficult rule to follow in as much as it refers to (Federal Register page) numbers from the April 30 printed proposed rule, and not the Acrobat page numbers.

Below we have excerpted pages from the April version and imposed the changes being made that involve numerical items. Most of the rule is simply correcting typographical errors, and we are not providing those changes. Since they do not appear to impact proposed payments.

The payment changes impact the calculations of factors 1 and 2 regarding disproportionate share hospitals (DSHs).

DSH Corrections

- On page 256 (***Federal Register*** Page 18,256) of the April 30 ***Federal Register***, item V. Payment Adjustment for DSHs for FY 2026 (§ 412.106) is adjusted as follows:

  "For this proposed rule the CMS' Office of the Actuary's (OACT) January 2025 estimates of Medicare DSH payments for FY 2026 without regard to the application of section 1886(r)(1) of the Act is approximately ~~$15.682~~ $15.791 billion. Therefore, also based on OACT's January 2025 Medicare DSH estimates, the estimate of empirically justified Medicare DSH payments for FY 2026, with the application of section 1886(r)(1) of the Act, is approximately ~~$3.92~~ $3.95 billion (or 25 percent of the total amount of estimated Medicare DSH payments for FY 2026). Under § 412.106(g)(1)(i), Factor 1 is the difference between these two OACT estimates. Therefore, in this proposed rule, we are determining that Factor 1 for FY 2026 would be ~~$11.761~~ $11.843 billion, which is equal to 75 percent of the total amount of estimated Medicare DSH payments for FY 2026 (~~$15.682~~ $15.791 billion minus ~~$3.92~~ $3.95 billion)."

- On page 256, the table titled Factors Applied for FY 2023 through FY 2026 to Estimate DSH Expenditures Using FY 2022 Baseline Is Corrected to Read as Follows:

FY	IPPS hospital market basket update factor	Discharges	Case-mix	Other	Total	Estimated DSH payment (in billions) *
2023.....	1.043	0.994	0.990	~~1.0504~~	~~1.0784~~	~~14.038~~
				1.0577	1.0859	14.136
2024	1.031	0.998	0.997	1.0310	1.0573	~~14.842~~
						14.946
2025	1.029	0.991	1.005	0.9976	~~1.0228~~	~~15.180~~
					1.0227	15.286
2026	1.024	0.999	1.005	1.0048	~~1.0331~~	~~15.682~~
					1.0330	15.791

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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Comment

In our analysis of the proposed rule in April, we used the above factors to arrive at Factor 1 and that are now being updated. CMS says it is also correcting Factor 2 from ~~$7,140,406,650~~ to $7,190,037,075, an increase of $49,630,425.

This change would increase the estimated DSH FY 2026 pool from $7.140 to $7.190 billion.

Final Comment

First, it is amazing that CMS calls many of the above corrections as simply "typographical errors."

Second, please keep in mind that these corrections are being made to a proposed rule and will be subject to additional changes based on more up-to-data in the final rule.