Issue Brief

FEDERAL ISSUE BRIEF

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CMS Releases Proposed CY 2026 ESRD PPS Update

The Centers for Medicare and Medicaid Services (CMS) have released a proposed rule regarding the Calendar Year (CY) End-Stage Renal Dialysis (ESRD) PPS Program. A copy of the 153-page document is available from CMS at: https://public-inspection.federalregister.gov/2025-12368.pdf. A comment period ending August 29 is provided. The proposal is scheduled for publication in the ***Federal Register*** on July 2.

The rule proposes changes related to the ESRD PPS payment, for dialysis services furnished to individuals with acute kidney injury (AKI), the ESRD Quality Incentive Program (QIP), and the termination of the ESRD Treatment Choices (ETC) Model.

Comments

The rule does have an overall table of contents. Nonetheless, we are adding page numbers, in red.

I. Summary of the Major Provisions

Proposed Update to the ESRD PPS Base Rate for CY 2026:

The proposed CY 2026 ESRD PPS base rate would be **$281.06**, an increase from the CY 2025 ESRD PPS base rate of $273.82.

This proposed amount reflects the application of a wage index budget neutrality adjustment factor (1.00872), a budget neutrality factor for proposed non-contiguous areas payment adjustments (NAPA) (0.99859), resulting in a proposed ESRD Bundled (ESRDB) market basket update of 1.9 percent as required by section 1881(b)(14)(F)(i)(I) of the Act. (($273.82 × 1.00872 × 0.99859) × 1.019 = $281.06). (Page 8)

Proposed Annual Update to the Outlier Policy:

CMS is proposing to update the ESRD outlier services fixed dollar loss (FDL) amount for pediatric patients using the latest available CY 2024 claims data and to update the FDL amount for adult patients using the latest available claims data from CY 2022, CY 2023, and CY 2024.

For pediatric beneficiaries, the FDL amount would decrease from $234.26 to $148.38, and the MAP amount would decrease from $59.60 to $44.09, as compared to CY 2025 values. For adult beneficiaries, the FDL amount would decrease from $45.41 to $12.74, and the MAP amount would decrease from $31.02 to $22.07.

The 1.0 percent target for outlier payments was not achieved in CY 2024, as outlier payments represented approximately 0.8 percent of total Medicare payments. (Page 9)

Comment

Making estimated predictions is difficult, if not impossible. Year after year, CMS cannot accurately predict outlier payments. The CY 2024 underpayment is 20 percent of the outlier target.

And, again, CMS does not address fixing these yearly errors on a prospective basis. Rather, the agency believes that simply adjusting overall outlier thresholds compensates for the inability to forecast such errors.

There are instances in which CMS has noted that in correcting certain estimation errors can lead to incorrect adjustments involving individual provider amounts. Continuing to adjust outlier errors, as presented, in fact, may provide inaccurate payments to providers since a providers' year-to-year outlier incurred costs may vary.

Proposed Update to the Offset Amount for the Transitional Add-on Payment Adjustment for New and Innovative Equipment and Supplies (TPNIES) for CY 2026: (Page 9)

The proposed CY 2026 average per treatment offset amount for the TPNIES for capital-related assets that are home dialysis machines is $10.41. This proposed offset amount reflects the application of the proposed ESRDB market basket update of 1.9 percent and the current rate ($10.22 × 1.019 = $10.41).

Proposed Update to the Post-TDAPA (Transitional Drug Add-on Payment Adjustment) Add-on Payment Adjustment Amounts: (Page 9)

The proposed post-TDAPA add-on payment adjustment amount for Korsuva® is $0.2633 per treatment, which would be included in the calculation of the total post-TDAPA add-on payment adjustment for each quarter in CY 2026. The proposed post-TDAPA add-on payment adjustment amount for DefenCath® is $1.4780 per treatment, which would be included in the calculation for the third and fourth quarter of CY 2026.

Proposed Update to the Timeframe for TDAPA Eligibility: (Page 9)

CMS is proposing to modify the timeframe for TDAPA eligibility to provide that a new renal dialysis drug or biological product must have been approved by the Food and Drug Administration (FDA) within the

past 3 years at the time of submission of the TDAPA application. This proposed eligibility timeframe would apply for all new drugs and biological products for which a TDAPA application is submitted on or after January 1, 2028.

Proposed Non-Contiguous Areas Payment Adjustment (NAPA): (Page 10)

This payment adjustment would apply to ESRD PPS claims submitted by ESRD facilities in Alaska, Hawaii, and the U.S. Pacific Territories of Guam, American Samoa, and the Northern Mariana Islands. CMS is also proposing that the NAPA would be budget neutral and a corresponding budget neutrality factor of 0.99859 would be applied to the CY 2026 ESRD PPS base rate.

Proposed Update to the Dialysis Payment Rate for Individuals with AKI: (Page 10)

The proposed CY 2026 AKI payment rate is $281.06, which is the same as the proposed CY 2026 ESRD PPS base rate.

ESRD Quality Incentive Program: (Page 10)

CMS is proposing to remove the Facility Commitment to Health Equity reporting measure beginning with PY 2027, the Screening for Social Drivers of Health reporting measure beginning with PY 2027, and the Screen Positive Rate for Social Drivers of Health reporting measure beginning with PY 2027.

Beginning with PY 2028, CMS is proposing to update the In-Center Hemodialysis Consumer Assessment of Healthcare Providers and Systems (ICH CAHPS) clinical measure. CMS is proposing to reduce the length of the ICH CAHPS Survey by removing 23 questions which have been identified as appropriate for removal.

ETC Model: (Page 11)

CMS is proposing to terminate the ETC Model and modify the duration during which CMS would apply the payment adjustments described in 42 CFR part 512, subpart C to claims with claim service dates beginning on or after January 1, 2021, and ending on or before December 31, 2025.

Summary of Costs and Benefits: (Page 11)

The Table below summarizes the impacts of each proposed provision in this CY 2026 ESRD PPS proposed rule.

TABLE 1—Estimated Total Costs/Transfers

Proposals	Estimated total costs/transfers
Proposed CY 2026 ESRD PPS updates	**The overall economic impact of this proposed rule is an estimated increase of approximately $160 million in aggregate payments to ESRD facilities in CY 2026.** This includes estimated expenditures of approximately $27 million associated with the post-TDAPA add-on payment adjustment.
Proposed CY 2026 AKI dialysis payment rate update	CMS estimates that the aggregate Medicare payments made to ESRD facilities for renal dialysis services furnished to individuals with AKI, at the proposed CY 2026 ESRD PPS base rate, would increase by $1 million.
Proposed PY 2027 and PY 2028 QIP updates	CMS estimates that, as a result of previously finalized policies and changes to the ESRD QIP that are being proposed, the overall economic impact of the PY 2027 ESRD QIP would be approximately $146.8 million. CMS estimates that, as a result of previously finalized policies and changes to the ESRD QIP that are being proposed, the overall economic impact of the PY 2028 ESRD QIP would be approximately $143.1 million.
Proposed ETC Model termination	CMS estimates that, as a result of the termination of the ETC Model, as proposed in this rule, the net Federal impact would be approximately $1 million in savings.

II. Calendar Year (CY) 2026 End-Stage Renal Disease (ESRD) Prospective Payment System (PPS) (Page 14)

Proposed CY 2026 ESRD Bundled (ESRDB) Market Basket Percentage Increase;

Productivity Adjustment; and Labor-Related Share: (Page 18)

The proposed CY 2026 ESRDB market basket percentage increase is 2.7 percent. The proposed productivity adjustment for CY 2026 (the 10-year moving average growth of TFP for the period ending CY 2026) is 0.8 percentage point.

Therefore, the proposed CY 2026 ESRDB market basket update is equal to **1.9 percent** (proposed 2.7 percent ESRDB market basket percentage increase reduced by a proposed 0.8 percentage point productivity adjustment).

Proposed ESRD Labor-Related Share: (Page 22)

For the CY 2026 ESRD PPS payment update, CMS is proposing to continue using a labor-related share of **55.2 percent**, which was finalized in the CY 2023 ESRD PPS final rule.

Proposed CY 2026 Update to the Outlier Policy: (Page 27)

The estimates for the proposed CY 2026 MAP amounts, as shown in column II of Table 3 below, were inflation adjusted to reflect projected 2026 prices for ESRD outlier services.

TABLE 3: Proposed Outlier Policy: Impact of Updated Data for the Outlier Policy

	Column I **Final outlier policy for CY 2025 (based on 2023 data, price inflated to 2025) ***		**Column II** **Proposed outlier policy for CY 2026 (based on 2024 data, price inflated to 2026)****	
	Age < 18	**Age >= 18**	**Age < 18**	**Age >= 18**
Average outlier services MAP amount per treatment	$58.30	$32.40	$43.92	$23.11
Adjustments				
Standardization for outlier services	1.0432	0.9768	1.0244	0.9745
MIPPA reduction	0.98	0.98	0.98	0.98
Adjusted average outlier services MAP amount	$59.60	$31.02	$44.09	$22.07
Fixed-dollar loss amount that is added to the predicted MAP to determine the outlier threshold	$234.26	$45.41	$148.38	$12.74
Patient-month-facilities qualifying for outlier payment	6.09%	7.05%	7.05%	14.16%

*Column I was obtained from column II of Table 7 from the CY 2025 ESRD PPS final rule (89 FR 89130).

**The FDL amount for adults incorporates retrospective adult FDL amounts calculated using data from CYs 2022, 2023, and 2024.

III. Proposed Updates to the End-Stage Renal Disease Quality Incentive Program (ESRD QIP) (Page 68)

Table 9 summarizes the previously finalized and proposed updated measures that would be included in the PY 2028 ESRD QIP measure set. (Page 71)

TABLE 9: Previously Finalized and Proposed Updated Measures for the PY 2028 ESRD QIP Measure Set

Consensus-Based Entity (CBE) #	Measure Title and Description
0258	In-Center Hemodialysis Consumer Assessment of Healthcare Providers and Systems (ICH CAHPS) Survey Administration, a clinical measure Measure assesses patients' self-reported experience of care through percentage of patient responses to multiple survey questions.
2496	Standardized Readmission Ratio (SRR), a clinical measure Ratio of the number of observed unplanned 30-day hospital readmissions to the number of expected unplanned 30-day readmissions.
Based on CBE #2979	Standardized Transfusion Ratio (STrR), a clinical measure Ratio of the number of observed eligible red blood cell transfusion events occurring in patients dialyzing at a facility to the number of eligible transfusions that would be expected.
Based on CBE #0323, # 0321, 2706, and #1423	(Kt/V) Dialysis Adequacy Measure Topic, a clinical measure topic Four measures of dialysis adequacy where K is dialyzer clearance, t is dialysis time, and V is total body water volume. The individual Kt/V measures would be adult hemodialysis (HD) Kt/V, adult peritoneal dialysis (PD) Kt/V, pediatric HD Kt/V, and pediatric PD Kt/V.
2978	Hemodialysis Vascular Access: Long-Term Catheter Rate clinical measure Measures the use of a catheter continuously for 3 months or longer as of the last hemodialysis treatment session of the month.
1454	Hypercalcemia, a reporting measure Percentage of patient-months with total uncorrected serum or plasma calcium lab value reported in EQRS.

Consensus-Based Entity (CBE) #	Measure Title and Description
1463	Standardized Hospitalization Ratio (SHR), a clinical measure Risk-adjusted SHR of the number of observed hospitalizations to the number of expected hospitalizations.
Based on CBE #0418	Clinical Depression Screening and Follow-Up, a clinical measure Facility reports in ESRD Quality Reporting System (EQRS) one of four conditions for each qualifying patient treated during performance period.
Based on CBE #1460	National Healthcare Safety Network (NHSN) Bloodstream Infection (BSI) in Hemodialysis Patients, a clinical measure The Standardized Infection Ratio (SIR) of BSIs will be calculated among patients receiving hemodialysis at outpatient hemodialysis centers.
N/A	Percentage of Prevalent Patients Waitlisted (PPPW), a clinical measure Percentage of patients at each facility who were on the kidney or kidney-pancreas transplant waitlist averaged across patients prevalent on the last day of each month during the performance period.
2988	Medication Reconciliation for Patients Receiving Care at Dialysis Facilities (MedRec), a reporting measure Percentage of patient-months for which medication reconciliation was performed and documented by an eligible professional.
3636	COVID-19 Vaccination Coverage Among Healthcare Personnel (HCP), a reporting measure Percentage of HCP who are up to date on their COVID-19 vaccination.

Proposed Survey and Measure Changes (Page 73)

Proposed revisions to the ICH CAHPS Survey used to calculate performance on the ICH CAHPS clinical measure include:

- Removal of four questions, which are unnecessary for the psychometric function of the Quality of Dialysis Center Care and Operations (QDCCO) multi-item measure:

  ++ whether the dialysis center staff inserted needles with as little pain as possible,

  ++ whether dialysis center staff talked to patients about what they should eat and drink,

  ++ whether the dialysis center staff keep health information as private as possible, and

++ whether the patient felt the staff cared about them "as a person."

- Removal of all six questions that make up the Nephrologists' Communication and Caring (NCC) multi-item measure
- Removal of the nephrologist rating question.

Additionally, to further reduce the length of the ICH CAHPS Survey, CMS proposes to update the ICH CAHPS Survey to include the following non-measure changes:

- Removal of two core questions not currently used in public reporting measures:

  ++ whether the dialysis center staff asked about how kidney disease affects other parts of patient's lives, and

  ++ whether patients made a complaint to Medicare or their State agencies.

- Removal of nine questions from the About You section and one question from the mail survey proxy series.
- Consolidation of the race and ethnicity questions into one question, as per OMB Statistical Policy Directive No. 15 requirements.

CMS is proposing to implement the revised ICH CAHPS Survey beginning with the CY 2026 Spring survey.

IV. End-Stage Renal Disease Treatment Choices (ETC) Model (Page 89)

Termination of the ETC Model

CMS is proposing to terminate the ETC Model as of December 31, 2025. The ETC Model performance since 2021 has **not been shown** to enhance the quality-of-care ETC regions on the key model measures of home dialysis modalities, transplant waitlisting, and living donor transplantation. The ETC Model has not reduced Medicare expenditures throughout the duration of the ETC model and, in fact, has increased expenditures.

Final Comments

While there is duplication of issues and a limited amount of prior history, in our opinion, this is one of CMS' better written rules. It is easy to follow and is very understandable.

The proposal could probably be shortened if much duplication and history could be eliminated.

Note, we have not included a number of items in this analysis. ESRD providers should review the proposal in-depth to insure they understand all the changes being proposed.

It is very interesting that CMS is terminating the ETC Model, and even more interesting that the model is being eliminated because it (1) failed to meet its initial objective, and (2) did not save monies. In fact, CMS says it added costs to the program.

As CMS continues to test various concepts and models, it should identify frequently and not wait, as in this case, five years.

Further, mandating providers participate in such tests should more limited and possibly made voluntary to prevent issues as with the ETC.