

Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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Final FY 2026 Skilled Nursing Facility PPS Update Issued

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

The 153-page document is scheduled for publication in the **Federal Register** on August 4. A display copy is currently available at: <https://public-inspection.federalregister.gov/2025-14679.pdf>.

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 Patient Driven Payment Model (PDPM) to improve payment and coding accuracy.

The wage index tables for this final rule can be accessed on the SNF PPS Wage Index home page at: <https://www.cms.gov/medicare/payment/prospective-payment-systems/skilled-nursing-facility-snf/list-federal-regulations/cms-1827-f>.

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

Comments

Again, no table of contents is provided. We are adding page numbers from the display version.

CMS has provided the following cost and benefit table.

Estimated Cost and Benefits (Page 4)

Updates	Estimated Total Transfers/Costs
FY 2026 SNF PPS payment rate update	The overall economic impact of this final is an estimated increase of \$1.16 billion in aggregate payments to SNFs during FY 2026.
FY 2027 SNF QRP changes due to the Removal of Four Standardized Patient Assessment Data Elements	The overall economic impact of this final rule to SNFs is an estimated decrease of \$2.2 million annually to SNFs beginning with the FY 2027 SNF QRP.
FY 2027 SNF QRP changes due to the 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 final rule 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 6)

SNF Market Basket (Page 7)

CMS is finalizing a FY 2026 SNF market basket percentage increase of 3.9 percent. Part of the increase (3.3 percent) is based on IHS Global Inc.'s (IGI's) fourth-quarter 2024 forecast of the 2022-based SNF market basket. Additionally, CMS is making another forecast error adjustment of 0.6 percent and a -0.7 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 now estimated to be 0.7 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 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 3.3 percent is adjusted upward to account for the forecast error adjustment of 0.6 percentage point, resulting in a FY 2026 SNF market basket percentage increase of 3.9 percent, which is then reduced by a productivity adjustment of now estimated at 0.7 percentage point.

This results in a SNF market basket update for FY 2026 of **3.2 percent.** (Page 23)

Unadjusted Federal Per Diem Rates for FY 2026 (Page 23)

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 2026, 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	\$75.73	\$70.49	\$28.28	\$132.00	\$99.59	\$118.21

FY 2026 Unadjusted Federal Rate Per Diem—Rural

Rate Component	PT	OT	SLP	Nursing	NTA	Non-Case-Mix
Per Diem Amount	\$86.33	\$79.29	\$35.63	\$126.12	\$95.15	\$120.40

Case-Mix Adjustment (Page 24)

CMS lists the final 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	\$109.81	1.41	\$99.39	0.64	\$18.10	ES3	3.84	\$506.88	3.06	\$304.75
B	1.61	\$121.93	1.54	\$108.55	1.72	\$48.64	ES2	2.90	\$382.80	2.39	\$238.02
C	1.78	\$134.80	1.60	\$112.78	2.52	\$71.27	ES1	2.77	\$365.64	1.74	\$173.29
D	1.81	\$137.07	1.45	\$102.21	1.38	\$39.03	HDE2	2.27	\$299.64	1.26	\$125.48
E	1.34	\$101.48	1.33	\$93.75	2.21	\$62.50	HDE1	1.88	\$248.16	0.91	\$90.63
F	1.52	\$115.11	1.51	\$106.44	2.82	\$79.75	HBC2	2.12	\$279.84	0.68	\$67.72
G	1.58	\$119.65	1.55	\$109.26	1.93	\$54.58	HBC1	1.76	\$232.32	-	-
H	1.10	\$83.30	1.09	\$76.83	2.7	\$76.36	LDE2	1.97	\$260.04	-	-
I	1.07	\$81.03	1.12	\$78.95	3.34	\$94.46	LDE1	1.64	\$216.48	-	-
J	1.34	\$101.48	1.37	\$96.57	2.83	\$80.03	LBC2	1.63	\$215.16	-	-
K	1.44	\$109.05	1.46	\$102.92	3.50	\$98.98	LBC1	1.35	\$178.20	-	-
L	1.03	\$78.00	1.05	\$74.01	3.98	\$112.55	CDE2	1.77	\$233.64	-	-
M	1.20	\$90.88	1.23	\$86.70	-	-	CDE1	1.53	\$201.96	-	-
N	1.40	\$106.02	1.42	\$100.10	-	-	CBC2	1.47	\$194.04	-	-
O	1.47	\$111.32	1.47	\$103.62	-	-	CA2	1.03	\$135.96	-	-
P	1.02	\$77.24	1.03	\$72.60	-	-	CBC1	1.27	\$167.64	-	-
Q	-	-	-	-	-	-	CA1	0.89	\$117.48	-	-
R	-	-	-	-	-	-	BAB2	0.98	\$129.36	-	-
S	-	-	-	-	-	-	BAB1	0.94	\$124.08	-	-
T	-	-	-	-	-	-	PDE2	1.48	\$195.36	-	-
U	-	-	-	-	-	-	PDE1	1.39	\$183.48	-	-
V	-	-	-	-	-	-	PBC2	1.15	\$151.80	-	-
W	-	-	-	-	-	-	PA2	0.67	\$88.44	-	-
X	-	-	-	-	-	-	PBC1	1.07	\$141.24	-	-
Y	-	-	-	-	-	-	PA1	0.62	\$81.84	-	-

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	\$125.18	1.41	\$111.80	0.64	\$22.80	ES3	3.84	\$484.30	3.06	\$291.16
B	1.61	\$138.99	1.54	\$122.11	1.72	\$61.28	ES2	2.90	\$365.75	2.39	\$227.41
C	1.78	\$153.67	1.60	\$126.86	2.52	\$89.79	ES1	2.77	\$349.35	1.74	\$165.56
D	1.81	\$156.26	1.45	\$114.97	1.38	\$49.17	HDE2	2.27	\$286.29	1.26	\$119.89
E	1.34	\$115.68	1.33	\$105.46	2.21	\$78.74	HDE1	1.88	\$237.11	0.91	\$86.59
F	1.52	\$131.22	1.51	\$119.73	2.82	\$100.48	HBC2	2.12	\$267.37	0.68	\$64.70
G	1.58	\$136.40	1.55	\$122.90	1.93	\$68.77	HBC1	1.76	\$221.97	-	-

PDPM Group	PT CMI	PT Rate	OT CMI	OT Rate	SLP CMI	SLP Rate	Nursing CMG	Nursing CMI	Nursing Rate	NTA CMI	NTA Rate
H	1.10	\$94.96	1.09	\$86.43	2.7	\$96.20	LDE2	1.97	\$248.46	-	-
I	1.07	\$92.37	1.12	\$88.80	3.34	\$119.00	LDE1	1.64	\$206.84	-	-
J	1.34	\$115.68	1.37	\$108.63	2.83	\$100.83	LBC2	1.63	\$205.58	-	-
K	1.44	\$124.32	1.46	\$115.76	3.50	\$124.71	LBC1	1.35	\$170.26	-	-
L	1.03	\$88.92	1.05	\$83.25	3.98	\$141.81	CDE2	1.77	\$223.23	-	-
M	1.20	\$103.60	1.23	\$97.53	-	-	CDE1	1.53	\$192.96	-	-
N	1.40	\$120.86	1.42	\$112.59	-	-	CBC2	1.47	\$185.40	-	-
O	1.47	\$126.91	1.47	\$116.56	-	-	CA2	1.03	\$129.90	-	-
P	1.02	\$88.06	1.03	\$81.67	-	-	CBC1	1.27	\$160.17	-	-
Q	-	-	-	-	-	-	CA1	0.89	\$112.25	-	-
R	-	-	-	-	-	-	BAB2	0.98	\$123.60	-	-
S	-	-	-	-	-	-	BAB1	0.94	\$118.55	-	-
T	-	-	-	-	-	-	PDE2	1.48	\$186.66	-	-
U	-	-	-	-	-	-	PDE1	1.39	\$175.31	-	-
V	-	-	-	-	-	-	PBC2	1.15	\$145.04	-	-
W	-	-	-	-	-	-	PA2	0.67	\$84.50	-	-
X	-	-	-	-	-	-	PBC1	1.07	\$134.95	-	-
Y	-	-	-	-	-	-	PA1	0.62	\$78.19	-	-

Wage Index Adjustment (Page 28)

CMS 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: <https://www.cms.gov/medicare/payment/prospective-payment-systems/skilled-nursing-facility-snf/list-federal-regulations/cms-1827-f>.

Labor-Related Share, FY 2025 and FY 2026 (Page 34)

The following provides the final FY 2026 Labor-Share

	Relative importance, labor-related share, FY 2025	Relative importance, labor-related share, FY 2026
Wages and Salaries	53.2	53.4
Employee Benefits	9.2	8.9
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

ADDITIONAL ASPECTS OF THE SNF PPS (Page 39)

SNF Level of Care—Administrative Presumption (Page 39)

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 41)

CMS solicited public comments to identify 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. CMS hasn't adopted any new codes. The latest list of excluded codes can be found on the SNF Consolidated Billing website at: <https://www.cms.gov/Medicare/Billing/SNFConsolidatedBilling>.

Payment for SNF-Level Swing-Bed Services (Page 47)

All rates and wage indexes outlined in this rule also apply to all non-CAH swing-bed rural hospitals. The latest changes in the Minimum Data Set (MDS), for swing-bed rural hospitals appear on the SNF PPS website at: <https://www.cms.gov/medicare/payment/prospective-payment-systems/skilled-nursing-facility-snf/list-federal-regulations/cms-1827-f>.

OTHER SNF PPS ISSUES (Page 49)

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 proposed to change the clinical category assignment for the following thirty-four new ICD-10 codes that were effective October 1, 2024.

- **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 is, as proposed, changing the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

- **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 is changing the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

- **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 is changing the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

- **Anorexia Nervosa, Restricting Type**

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

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

- **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 is changing the mapping of these codes from "Medical Management" to the clinical category of "Return to Provider".

- **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 is changing the mapping of these codes from “Medical Management” to the clinical category of “Return to Provider”.

- **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 is changing the mapping of these codes from “Medical Management” to the clinical category of “Return to Provider”.

- **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 is changing the mapping of these codes from “Medical Management” to the clinical category of “Return to Provider”.

- **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 is changing the mapping of this code from “Acute Neurologic” to the clinical category of “Medical Management”.

SKILLED NURSING FACILITY QUALITY REPORTING PROGRAM (SNF QRP) (Page 59)

CMS is, as proposed, removing 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 amending its reconsideration policy and process. Specifically, CMS will 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 12 (Page 61).

Final Data Submission Deadline from 4.5 months to 45 Days – Request for Information (RFI) (Page 92)

CMS is not responding to specific comments submitted in response to this RFI. CMS intends to use this input to inform program improvement efforts. (Page 97)

SKILLED NURSING FACILITY VALUE-BASED PURCHASING PROGRAM (Page 104)

Removal of the Health Equity Adjustment (HEA) from the SNF VBP Program Scoring Methodology (Page 104)

CMS is finalizing the removal of the HEA, and codifying this removal by removing §§ 413.338(k) and (e)(3)(iii) from the regulations, removing terms related to the HEA in § 413.338(a) of the regulations, and revising § 413.338(c)(2)(i) of the regulations to remove the variable payback percentage adopted beginning in the FY 2027 program year and instead maintain the 60 percent payback percentage adopted beginning in the FY 2023 program year, as proposed without modification. (Page 110)

SNF VBP Program Measures (Page 111)

CMs did not propose any changes to the previously adopted SNF VBP Program measure set.

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 112)

CMS is providing the final numerical performance standards for the remaining measures applicable for the FY 2028 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 final numerical values for the FY 2028 program year performance standards are shown in Table 15. (Page 113)

TABLE 15: FY 2028 SNF VBP Program Performance Standards

Measure Short Name	Achievement Threshold	Benchmark
SNF HAI Measure	0.92183	0.94491
Total Nurse Staffing Measure	3.29119	5.87488
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

SNF VBP Performance Scoring Methodology (Page 114)

Application of SNF VBP Scoring Methodology to the SNF Within-Stay Potentially Preventable Readmission (SNF WS PPR) Measure

CMS is finalizing the application of the previously finalized scoring methodology (codified at § 413.338(e)(1) and § 413.338(e)(3)) to the SNF WS PPR measure beginning with the FY 2028 SNF VBP program year as proposed without modification. (Page 117)

Adopting a SNF VBP Program Reconsideration Process (Page 117)

CMS is finalizing the adoption and implementation of the reconsideration request process, and codifying this process at § 413.338(f)(6), as proposed without modification.

Final Comments

While this rule continues to incorporate unneeded history, the rule is well written and easy to comprehend. Too bad there is no table of contents.

Once again, we have basically followed the rule’s format in analyzing and summarizing the changes being made. We have not tried to organize this paper based on which area maybe the most important. This helps us with page numbering.

In accordance with section 1888(e)(6)(A)(i) of the Act, the Secretary must reduce by 2.0 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. Note, this is only for SNFs failing to submit required quality data.

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 value-based 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.

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 errors violates this basic tenant of the program.