Issue Brief

FEDERAL ISSUE BRIEF

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CMS Releases Final CY 2027 ESRD PPS Update

The Centers for Medicare & Medicaid Services have released the final calendar year (CY) 2027 rule Updating Changes to the End-Stage Renal Disease (ESRD) Prospective Payment System (PPS), Acute Kidney Injury Dialysis (AKI) Payment, and ESRD Quality Incentive Program.

A display copy of the 353-page rule, scheduled for publication on October 30, is available at: https://public-inspection.federalregister.gov/2026-22194.pdf.

Summary of the Major Provisions (Pages 4-8)

1. ESRD PPS

- **Rebasing and revising** the End-Stage Renal Disease Bundled (ESRDB) market basket for CY 2027: CMS is rebasing and revising the ESRDB market basket to a 2024 base year, reflecting the most recent and complete set of Medicare cost report data as well as other publicly available data. In addition, CMS is updating the labor-related share of the ESRD PPS base rate to reflect the 2024 base year labor-related cost share weights designated in the ESRDB market basket.

- **Updating to the ESRD PPS base rate** for CY 2027: The CY 2027 ESRD PPS base rate is **$297.52**, an increase from the CY 2026 ESRD PPS base rate of $281.71. This amount reflects the application of the wage index budget neutrality adjustment factor (1.00260), the addition to the base rate of $12.85 to include phosphate binders, the budget neutrality factor for the budget neutral changes to several payment adjustments (0.98864), and an ESRDB market basket update of 1.9 percent as required by section 1881(b)(14)(F)(i)(I) of the Act, equaling $297.52 ((($281.71 + $12.85) × 1.00260 × 0.98864) × 1.019 = $297.52).

- **Annual update to the wage index:** CMS adjusts the ESRD PPS wage index on an annual basis using the most current mean hourly wage data for occupations related to the furnishing of renal dialysis services from the Bureau of Labor Statistics (BLS) Occupational Employment and Wage Statistics (OEWS) program and occupational mix data from the most recent full CY of freestanding ESRD facility Medicare cost reports.

- **Annual update to the outlier policy:** CMS is updating the Medicare allowable payment (MAP) amounts for adult and pediatric patients for CY 2027 using the latest available CY 2025 claims data. CMS is updating the ESRD outlier services fixed dollar loss (FDL) amount for pediatric patients using the latest available CY 2025 claims data and updating the FDL amount for adult patients using the latest available claims data from CY 2023, CY 2024, and CY 2025.

  For pediatric beneficiaries, the FDL amount will increase from $162.43 to $229.49, and the MAP amount will increase from $50.19 to $63.27, as compared to CY 2026 values. For adult beneficiaries, the FDL amount will increase from $14.80 to $90.60, and the MAP amount will increase from $23.68 to $41.83, as compared to CY 2026 values.

The 1.0 percent target for outlier payments was not achieved in CY 2025, as outlier payments represented approximately 0.9 percent of total Medicare payments. CMS' current estimates indicate outlier payments will be above the 1.0 percent target for CY 2026, which also reflects the underlying utilization and cost trends that are contributing to increases in the MAP and FDL amounts.

- **Update the offset amount for the transitional add-on payment adjustment for new and innovative equipment and supplies (TPNIES) for CY 2027:** The CY 2027 average per treatment offset amount for the TPNIES for capital-related assets that are home dialysis machines is $10.63. This offset amount reflects the application of the final ESRDB market basket update of 1.9 percent ($10.43 × 1.019 = $10.63). There are no capital-related assets set to receive the TPNIES in CY 2027 for which this offset will apply.

- **Update to the post-Transitional Drug Add-on Payment Adjustment (TDAPA) add-on payment adjustment amounts:** CMS calculated the post-TDAPA add-on payment adjustment in accordance with 42 CFR 413.234(g).

  The final first quarter (Q1) post-TDAPA add-on payment adjustment amount for Korsuva® is $0.0793 per treatment, which will be included in the calculation of the total post-TDAPA add-on payment adjustment for only the first quarter of CY 2027.

  The final Q1 post-TDAPA add-on payment adjustment amount for DefenCath® is $8.3220 per treatment. The post-TDAPA add-on payment adjustment amount for DefenCath® will be included in the calculation for each quarter of CY 2027.

  The final Q1 post-TDAPA add-on payment adjustment amount for Vafseo® is $0.9970 per treatment. The post-TDAPA add-on payment adjustment amount for Vafseo® will be included in the calculation for each quarter of CY 2027.

- Incorporation of phosphate binders into the base rate: CMS is incorporating phosphate binders into the ESRD PPS base rate at the end of the TDAPA period for the drugs, for CY 2027 and beyond. The final increase to the ESRD PPS base rate for phosphate binders is **$12.85**.

- Expansion of the low-volume payment adjustment (LVPA),: CMS is expanding the LVPA to ESRD facilities which furnish up to 8,000 treatments per year. CMS is finalizing its proposal to make payments based on 6 tiers of volume. This change will be budget neutral with a budget neutrality factor of 0.98901.

- Modifications to certain adjustments for pediatric ESRD patients: CMS is modifying the case mix adjusters for pediatric ESRD patients. Additionally, CMS is allowing ESRD facilities to receive the LVPA for pediatric ESRD patients. These changes coincide with the end of the Transitional Pediatric ESRD Add-on Payment Adjustment (TPEAPA) as of December 31, 2026

- Modifications to the home and self-dialysis training add-on: CMS is increasing the home and self-dialysis training add-on payment adjustment to $138.00 from the current amount of $95.60. CMS will allow training sessions during the onset period (the first 120 days of ESRD dialysis). To reduce the potential for duplicative payments during the onset period, CMS is reducing the onset adjustment factor from 1.327 to 1.311

- Modifications to the TDAPA and post-TDAPA add-on payment adjustment: CMS is finalizing that, when ASP data is not usable because ASP is zero or negative, CMS will use the most recent

usable quarter of ASP data, if available, as the basis for the TDAPA and the post-TDAPA add-on payment adjustment.

2. Payment for Renal Dialysis Services Furnished to Individuals with AKI

- Updates to the dialysis payment rate for individuals with AKI: CMS is updating the AKI dialysis payment rate for CY 2027. The final CY 2027 payment rate is $297.52, which is the same as the final CY 2027 ESRD PPS base rate.

3. ESRD QIP

- CMS is replacing the Hypercalcemia reporting measure with the Hyperphosphatemia clinical measure beginning with PY 2029. Beginning with PY 2029, CMS is updating the National Healthcare Safety Network Bloodstream Infection (NHSN BSI) clinical measure to use the most recently available national baseline data and to update the risk adjustment methodology. CMS is removing the Medication Reconciliation (MedRec) reporting measure and the COVID–19 Vaccination Coverage Among HCP reporting measure from the ESRD QIP measure set beginning with PY 2029. This final rule also includes public comments received in response to an RFI on the potential inclusion of the Dialysis Facility Discussion of Patient Life Goals Patient-Reported Outcome Performance measure (D-PaLS PRO-PM) in the ESRD QIP.

Summary of Costs and Transfers

Changes	Estimated total costs/transfers
CY 2027 ESRD PPS update	The overall economic impact of this final rule is an estimated increase of approximately $240 million in aggregate Medicare payments to ESRD facilities in CY 2027.
CY 2027 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 final CY 2027 ESRD PPS base rate, will increase by approximately $5 million.
PY 2029 ESRD QIP updates	CMS estimates that, as a result of previously finalized policies and changes to the ESRD QIP that CMS is finalizing, the overall economic impact of the PY 2029 ESRD QIP will be approximately $133.2 million, which includes $114.5 million in costs associated with the collection of information requirements and approximately $18.7 million in payment reductions across all facilities.

Comments

The ESRD final update rate of $297.52 is somewhat misleading inasmuch as CMS is adding $12.85 to the current rate of $281.51. In the proposed rule, CMS projected an increase in payments of $299.55.

The $297.52 amount reflects the application of the wage index budget neutrality adjustment factor (1.00260), the addition to the base rate of $12.85 to include phosphate binders, the budget neutrality factor for the budget neutral changes to several payment adjustments (0.98864), and an ESRDB market

basket update of 1.9 percent as required by section 1881(b)(14)(F)(i)(I) of the Act, equaling $297.52 (((($281.71 + $12.85) × 1.00260 × 0.98864) × 1.019 = $297.52).

Remove the $12.85 results in an increase of $284.55—an increase of only 1.01 percent.

No table-of contents is provided in the rule. We have constructed the following.

Section	PDF Page
I. Executive Summary	**2**
A. Purpose	2
B. Summary of the Major Provisions	4
C. Summary of Costs and Transfers (Table 1)	8
II. CY 2027 ESRD PPS	**11**
A. Background	11
1. Statutory Background	11
2. System for Payment of Renal Dialysis Services	13
3. Updates to the ESRD PPS	14
B. Provisions of the Proposed Rule, Public Comments, and Responses	15
1. Rebasing and Revising the ESRDB Market Basket; CY 2027 Update	17
a. Background	17
b. Rebasing and Revising the Market Basket	20
c. Labor-related Share	54
d. CY 2027 Market Basket Update	57
2. CY 2027 ESRD PPS Wage Indices	65
a. Background	65
b. National Facility Occupational Mix	68
c. CY 2027 Wage Index	69

Section	PDF Page
3. Outlier Policy Update	72
a. Background	72
b. MAP and FDL Amounts	76
c. Outlier Percentage	82
4. Impacts to the CY 2027 Base Rate	82
a. Background	82
b. Annual Payment Rate Update	83
5. Average per Treatment Offset for Home Dialysis Machines	93
6. Post-TDAPA Add-on Payment Adjustment Updates	94
a. CY 2027 Amounts	95
b. Quarterly Updates	99
7. Incorporation of Phosphate Binders into the Base Rate	106
a. Background	106
b. Methodology	115
8. Low-Volume Payment Adjustment (LVPA)	141
a. Background	141
b. Payment Adequacy by Treatment Volume	148
c. Updated Expanded Tiered Analysis	151
d. Expanded LVPA	154
9. Pediatric ESRD Payment	168
a. Background and History	168
b. TPEAPA	171
c. Additional Pediatric Cost Data	173
d. Proposals to Modify Pediatric Payment	175

Section	PDF Page
10. Home and Self-Dialysis Training Add-on	206
a. Background	206
b. Cost Report Analysis	208
c. Increase to the Training Add-on	210
d. Training during Dialysis Onset	212
e. Combined Budget Neutrality and Comment Solicitation	214
11. Modification to TDAPA and Post-TDAPA Average Sales Price	223
C. TPNIES	229
D. Continuation of Approved TPNIES for CY 2027	229
E. Continuation of Approved TDAPA for CY 2027	230
III. CY 2027 Payment for AKI Dialysis	**231**
A. Background	231
B. Update of AKI Dialysis Payment	232
1. CY 2027 AKI Payment Rate	232
2. Geographic Adjustment Factor	238
3. Other Adjustments	239
IV. ESRD Quality Incentive Program	**242**
A. Background	242
B. Updates Beginning with PY 2029	242
1. PY 2029 Measure Set	242
2. Hypercalcemia → Hyperphosphatemia	244
a. Removal of Hypercalcemia Measure	244
b. Adoption of Hyperphosphatemia Measure	246
3. NHSN BSI Update	264

Section	PDF Page
4. Removal of Two Measures	270
a. Medication Reconciliation	270
b. COVID-19 HCP Vaccination	273
5. Measure Domains and Weights	278
6. Performance Standards	283
7. Eligibility Requirements	284
8. Payment Reduction Scale	285
C. RFI: D-PaLS PRO-PM	286
1. Background	286
2. Measure Overview	288
3. Solicitation for Public Comment	290
V. RFIs on Alternative Dialysis Care (EO 13879)	**293**
A. Background and Overview	293
B. Increasing Home Dialysis Uptake	294
C. Advancing Palliative Care for Dialysis Patients	298
D. Payment Changes for Alternative Dialysis Schedules	302
VI. Collection of Information Requirements	**308**
A. ESRD QIP Wage Estimates	308
B. Data Validation Burden (PY 2029)	309
C. EQRS Reporting Requirements	310
VII. Regulatory Impact Analysis	**311**
A. Statement of Need	311
B. Overall Impact Analysis	312
C. Detailed Economic Analysis	315

Section	PDF Page
1. Benefits	315
2. Costs	316
3. Transfers	316
4. Regulatory Review Cost Estimation	317
5. Impact Statement and Table	318
a. ESRD PPS	318
c. AKI Dialysis Payment	327
d. ESRD QIP	332
D. Accounting Statement	337
E. Regulatory Flexibility Act	337
F. Unfunded Mandates Reform Act	343
G. Federalism	343
H. EO 14192	344
I. Congressional Review Act	344
VIII. Files Available to the Public	**344**
Regulation Text (42 CFR Part 413)	**345–353**

II. CALENDAR YEAR (CY) 2027 END-STAGE RENAL DISEASE (ESRD) PROSPECTIVE PAYMENT SYSTEM (PPS)

Labor-Market (Page 54)

Effective for CY 2027, CMS is increasing the labor-related share from 55.2 percent to 63.5 percent.

Labor-related Share of Current and Proposed ESRDB Market Baskets

	Labor-Related Share for CY 27	Labor-Related Share for CY 26	Difference
Wages and Salaries	39.0	36.5	2.5
Employee Benefits	11.9	9.5	2.4
Housekeeping	0.5	0.5	0.0
Operations & Maintenance	4.2	3.7	0.5
Administrative Services	0.3	n/a	0.3
Professional Fees: Labor-related	2.7	0.7	2.0
All Other Services: Labor-related	0.7	n/a	0.7
Capital-related: Buildings and Fixtures	9.0	9.4	-0.4
Capital-related: Buildings and Fixtures * 0.46	4.2	4.3	-0.1
Total	63.5	55.2	8.3

CMS notes that the LRS is increasing by 8.3 percentage points for CY 2027. For an ESRD facility with the lowest possible wage index value, which is the 0.600 wage index floor, the increase in LRS would result in a decrease in payment of 4.3 percent. So, for the lowest wage index facilities the payment impact of the increase to the LRS is less than 5 percent overall and the impact for most facilities (with higher wage index values) would be less.

CY 2027 ESRDB Market Basket Percentage Increase: (Page 57)

The CY 2027 ESRDB market basket increase factor based on more recent data is **2.9 percent**.

CY 2027 Productivity Adjustment: (Page 62)

Combining the historical and projected total factor productivity (TFP) data over the entire 10-year time period and interpolating into quarterly index levels results in a 10-year moving average growth rate of TFP of 1.0 percent for CY 2027 (unchanged from the CY 2027 ESRD PPS proposed rule).

CY 2027 ESRDB Market Basket Update: (Page 65)

The final CY 2027 ESRDB market basket update is 1.9 percent (2.9 percent ESRDB market basket percentage increase reduced by a 1.0 percentage point productivity adjustment).

CY 2027 Update to the Outlier Services MAP Amounts and FDL Amounts: (Page 72)

For CY 2027, CMS is updating the Medicare allowable payment (MAP) amounts for adult and pediatric patients using the latest available CY 2025 claims data as shown in the table below.

	Column I **Final outlier policy for CY 2026 (based on 2024 data, price inflated to 2026) ***		**Column II** **Final outlier policy for CY 2027 (based on 2025 data, price inflated to 2027)****	
	Age < 18	**Age >= 18**	**Age < 18**	**Age >= 18**
Average outlier services MAP amount per treatment	$50.64	$24.83	$66.33	$43.71
Adjustments				
Standardization for outlier services	1.0113	0.9731	0.9734	0.9767
MIPPA reduction	0.98	0.98	0.98	0.98
Adjusted average outlier services MAP amount	$50.19	$23.68	$63.27	$41.83
Fixed-dollar loss amount that is added to the predicted MAP to determine the outlier threshold	$162.43	$14.80	$229.49	$90.60
Patient-month-facilities qualifying for outlier payment	7.58%	14.10%	6.26%	5.51%

Outlier Percentage: (Page 81)

CMS projects that payments under the outlier adjustment will be approximately 2.6 percent of total ESRD PPS payments in CY 2026 based on utilization from the latest available CY 2025 claims. As a result, the agency is increasing the MAP and FDL amounts "to better achieve the 1.0 percent outlier target in CY 2027."

Comment

This is another example of estimation errors with no true adjustments to correct the process.

Budget Neutrality Factor for Certain Payment Adjustment Changes: (Pages 92 & 150)

CMS is changing the low-volume payment adjustment (LVPA), payment adjustments for pediatric ESRD patients, and home and self-dialysis training add-on payments. The changes to these payment adjustments will be budget neutral and will result in a combined budget neutrality factor of 0.98864.

This is calculated based on the combined budget neutrality factor of 0.98901 for the LVPA changes, 0.99999 for the pediatric changes, and 0.99964 for the changes to the home and self-dialysis training add-on payment adjustment.

Addition of Phosphate Binders to the ESRD PPS Base Rate: (Pages 92 & 106)

CMS' proposed a calculation of $16.12, which was further reduced by 1.0 percent for outlier payments. Therefore, the proposed update factor was $15.96 ($16.12 × 0.99 = $15.96).

CMS is now adding $12.85 to account for the addition of phosphate binders to the ESRD PPS base rate.

Final Rule Action: After consideration of public comments, CMS is finalizing the incorporation of phosphate binders into the ESRD PPS base rate beginning January 1, 2027, with a base rate increase of **$12.85** per treatment, using the utilization methodology and operational cost multiplier alongside the most recent available claims (that is, claims from between April 1, 2025, and June 30, 2026) and fourth quarter 2026 ASP data, as proposed. CMS is also finalizing its proposal to add a new paragraph § 413.234(h) regarding the final data sources and methodology for modifying the ESRD PPS base rate to account for the costs of phosphate binders and the operational expenses associated with providing phosphate binders in the ESRD PPS bundled payment. CMS is finalizing a slightly modified version of new § 413.234(h)(2)(iv) to more clearly state the proposed methodology for calculating the operational cost component of the base rate increase for phosphate binders. CMS notes that this slight modification is a change in language, not a change in policy. CMS intends to issue further subregulatory guidance addressing the furnishing of phosphate binders for beneficiaries with AKI receiving outpatient dialysis and will work to ensure timely communication of this guidance to affected interested parties prior to implementation.

Expanded LVPA (Page 141)

CMS is adopting 6 tiers with decreasing adjustment factors as treatment volume increases. The adjustment factors are presented in the table below.

Consistent with the current tiered LVPA, the tier determination would be based on the median

treatment volume from the past three years. CMS is applying this policy in a budget neutral manner by applying a factor of 0.98901 to the ESRD PPS base rate.

Final 6-tier LVPA

Treatment Volume Tier	Number of eligible ESRD facilities	Current Adjustment Factors	Final Adjustment Factors
0-2,999 treatments per year	189	1.289	1.368
3,000-3,999 treatments per year	223	1.183	1.249
4,000-4,999 treatments per year	299	1.000	1.173
5,000-5,999 treatments per year	296	1.000	1.120
6,000-6,999 treatments per year	307	1.000	1.080
7,000-7,999 treatments per year	175	1.000	1.050

III. CY 2027 PAYMENT FOR RENAL DIALYSIS SERVICES FURNISHED TO INDIVIDUALS WITH AKI (Page 231)

CMS is finalizing that the CY 2027 AKI dialysis payment rate will be equal to the CY 2027 ESRD PPS base rate of $299.55 (($281.71 + $15.96) × 1.00267 × 0.98783) × 1.016 = $299.55).

IV. UPDATES TO THE END-STAGE RENAL DISEASE QUALITY INCENTIVE PROGRAM (ESRD QIP)
(Page 242)

Finalized Measures for the PY 2029 ESRD QIP Measure Set

Consensus-Based Entity (CBE) #	Measure Title and Description	Policy Status
0258	In-Center Hemodialysis Consumer Assessment of Healthcare Providers and Systems (ICH CAHPS) Survey Administration, a clinical measure assesses patients' self-reported experience of care through percentage of patient responses to multiple survey questions.	Previously finalized
5110*	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.	Previously finalized
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.	Previously finalized
Based on CBE #0323, # 0318**, #1423, and #2706	(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 are adult hemodialysis (HD) Kt/V, adult peritoneal dialysis (PD) Kt/V, pediatric HD Kt/V, and pediatric PD Kt/V.	Previously finalized
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.	Previously finalized
1463	Standardized Hospitalization Ratio (SHR), a clinical measure Risk-adjusted SHR of the number of observed hospitalizations to the number of expected hospitalizations.	Previously finalized
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 the performance period.	Previously finalized

Consensus-Based Entity (CBE) #	Measure Title and Description	Policy Status
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.	Updated
N/A*****	Percentage of Prevalent Patients Waitlisted for Kidney Transplant (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.	Previously finalized
CBE #4650****	Hyperphosphatemia, a clinical measure Percentage of adult dialysis patients with a 6-month rolling average phosphorus value greater than or equal to 6.5 mg/dL.	New

* This measure was endorsed under CBE #5110 in the Spring 2026 endorsement cycle.

** The prior CBE number listed for this measure in last year's rule (#0321) was incorrect.

*** CMS is finalizing its proposal to update the NHSN BSI clinical measure beginning with PY 2029.

**** CMS is finalizing its proposal to adopt the Hyperphosphatemia clinical measure, beginning with PY 2029.

***** The Percentage of Prevalent Patients Waitlisted clinical measure name was updated to the Percentage of Prevalent Patients Waitlisted for Kidney Transplant clinical measure in May 2025.

****** CMS is finalizing its proposal to remove the Hypercalcemia reporting measure, MedRec reporting measure

and the COVID–19 Vaccination Coverage Among HCP reporting measure beginning with PY 2029.

Updates to Requirements Beginning with the PY 2029 ESRD QIP (Page 264)

CMS will replace the Hypercalcemia reporting measure with the Facility-Level Percentage of Chronic Hyperphosphatemia in Dialysis Patients clinical measure, update the National Healthcare Safety Network Bloodstream Infection clinical measure, and remove both the Medication Reconciliation reporting measure and the COVID–19 Vaccination Coverage Among Healthcare Personnel reporting measure beginning with the PY 2029 measure set.

Updates to Measure Domains and to the Domain and Measure Weights used to Calculate the Total Performance Score QIP (Page 278)

Under current policy, a facility does not receive a payment reduction for a payment year in connection with its performance under the ESRD QIP if it achieves a Total Performance Score (TPS), that is at or above the minimum TPS (mTPS) that CMS established for the payment year.

Payment Reduction Scale for PY 2029 Based on the Most Recently Available Data (Page 285)

Total performance score	Reduction (%)
100-54	0.0%
53-44	0.5%
43-34	1.0%
33-24	1.5%
23-0	2.0%

V. REQUEST FOR INFORMATION ON THE INCLUSION OF THE DIALYSIS FACILITY DISCUSSION OF PATIENT LIFE GOALS PATIENT-REPORTED OUTCOME PERFORMANCE MEASURE IN THE ESRD QIP (Page 286)

On July 10, 2019, President Trump issued Executive Order (EO) 13879, Advancing American Kidney Health, directing Federal agencies to advance policies that increase patient choice through affordable alternative treatments for ESRD.

CMS sought comments on the feasibility of achieving a significant increase in utilization of the home dialysis modality for ESRD PPS patients.

CMS is not at this time proposing any changes.

VI. COLLECTION OF INFORMATION REQUIREMENTS (Page 308)

VIII. REGULATORY IMPACT Analysis (Page 311)

Final Thoughts

It is time for CMS to provide more information about its updates and its processes in doing such, and to adjust for under and over estimated factors. CMS always says that making adjustments destroys the concept of the PPS. We do not believe that "retroactive" adjustments are the only means for correcting estimate errors. They can be made prospectively by either increasing or decreasing amounts in future years.

The outlier factor is another item that needs annual corrections to its estimation versus actual results.

CMS notes that the 1.0 percent target for outlier payments was not achieved in CY 2025, as outlier payments represented approximately 0.9 percent of total Medicare payments. CMS says current estimates indicate outlier payments will be above the 1.0 percent target for CY 2026, which also reflects the underlying utilization and cost trends that are contributing to increases in the MAP and FDL

amounts.

It is interesting to note that most recent proposed updates are increased for the final rules, because of more recent data. However, in many situations the final updates are less than those proposed. Much has to do with CMS' construction of budget neutrality adjustments.

The proposal is well written, and it is helpful that CMS provides "final action" sections. Please note, that not all subjects in the rule have been reflected in this analysis.