

# CMS Finalizes FY 2026 Payment Update and Quality Changes for Inpatient Psychiatric Facilities

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On August 1, 2025, the Centers for Medicare & Medicaid Services (CMS) issued the fiscal year (FY) 2026 [Inpatient Psychiatric Facility Prospective Payment System \(IPF PPS\) and Quality Reporting \(IPFQR\) Updates](#) final rule. See the fact sheet [here](#). In this rule, CMS:

- Increases IPF PPS payment rates by 2.5 percent;
- Revises the facility-level adjustment factors for teaching status and rural location;
- Increases electroconvulsive therapy (ECT) payment per treatment;
- Modifies the reporting period of one measure under the IPFQR Program;
- Removes four measures from the IPFQR Program beginning with the FY 2026 payment determination; and
- Updates the IPFQR Program's Extraordinary Circumstance Exception (ECE) policy to allow CMS to grant extensions when extraordinary events impact an IPF's ability to meet reporting requirements.

In addition, CMS responds to feedback on developing a five-star rating system for IPFs. CMS also responds to input on future quality measure concepts related to well-being and nutrition, as well as the potential use of Fast Healthcare Interoperability Resources® (FHIR®) standards to improve electronic health record (EHR) interoperability and patient assessment data reporting.

**This final rule is scheduled to be published in the *Federal Register* on August 5, 2025.**

## INPATIENT PSYCHIATRIC FACILITIES TO RECEIVE A \$70 MILLION INCREASE IN FY 2026 PAYMENTS

*Pages 12-30*

For FY 2026, CMS proposed to increase IPF payment rates by 2.4 percent, and finalizes an increase of 2.5 percent. This rate increase is based on a 3.2 percent market update, reduced by a productivity adjustment of 0.7 percentage points (revised from the proposed productivity adjustment of 0.8 percentage points based on updated data). Overall, CMS estimates that payments to IPFs will increase by \$70 million (2.4 percent) in FY 2026 compared to FY 2025.



IPFs that fail to report required quality data will continue to have an additional 2-percentage point reduction applied to their payments.

## Payment Rates

Pages 62-75

IPFs are paid a daily base rate covering all routine, ancillary, and capital costs, adjusted based on patient and facility characteristics. Patient-level adjustments consider age, Diagnosis-Related Group (DRG) assignment, comorbidities, and per diem costs that vary throughout a patient’s stay.

Consistent with the Consolidated Appropriations Act of 2023 (CAA, 2023), CMS finalizes updates to the facility-level adjustment factors for teaching status and rural location. Drawing on more recent claims and cost data and public comments on the FY 2025 IPF PPS proposed rule, CMS increases both the teaching and rural location adjustment factors.

Specifically, the rural adjustment will be raised to 18 percent, reflecting what CMS believes is a more accurate representation of the cost differences between urban and rural IPFs. The teaching adjustment factor will increase from 0.5150 to 0.7957 (revised from the proposed teaching adjustment factor of 0.7981 based on updated data), which CMS states more appropriately reflects the higher indirect operating costs associated with facilities that operate qualified teaching programs.

CMS also finalizes its proposal to recognize increases to IPF teaching caps for resident full-time equivalents (FTEs) granted under Section 4122 of the CAA, 2023.

As required by law<sup>1</sup>, these updates will be implemented in a budget-neutral manner, meaning that total estimated IPF payments for FY 2026 will remain unchanged.

**Table 1. IPF PPS Payment Rates by FY**

IPF PPS	FY 2025 (Current)	FY 2026 (Final)
Per Diem Base Rate	\$876.53	\$892.87
Electroconvulsive Therapy Payment (per treatment)	\$661.52	\$673.85

## Outlier Threshold

Pages 82-86

For FY 2026, CMS finalizes a fixed dollar loss threshold of \$39,360, compared to \$38,110 for FY 2025. This will continue to limit estimated outlier payments to 2 percent of total aggregate IPF payments for FY 2026.

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<sup>1</sup> Section 1886(s)(5)(D)(iii) of the Social Security Act and section 124(a)(1) of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999

# CMS FINALIZES IPFQR PROGRAM CHANGES; RESPONDS TO FEEDBACK ON IPF STAR RATINGS AND FUTURE MEASURE CONCEPTS

Under the IPFQR Program, all IPFs paid under the IPF PPS are required to submit specified quality data to CMS within designated timeframes. Failure to meet these requirements results in a 2.0 percentage point reduction to the facility's annual payment update.

CMS finalizes updates to one existing measure and removes four others, with no new measures added at this time. The agency also finalizes updates to its ECE policy and responds to three Requests for Information (RFIs).

## Changes to Reporting Period for Post-Discharge Outcomes Measure

*Pages 89-92*

CMS finalizes changes to one quality measure beginning with the FY 2029 payment determination:

- **30-Day Risk-Standardized All-Cause Emergency Department (ED) Visit Following an Inpatient Psychiatric Facility Discharge Measure (IPF ED Visit):** CMS extends the current one-year reporting period to two years to align with the 30-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization measure. The two-year reporting period will span from July 1, four years prior to the applicable FY's payment determination, to June 30, two years prior to the applicable FY's payment determination. For the FY 2029 payment determination, the first reporting period will be Quarter 3 (Q3) of calendar year (CY) 2025 through Q2 of CY 2027.

## Removal of Four Measures Beginning with the FY 2026 Payment Determination

*Pages 92-106*

CMS finalizes its proposal to remove the following four measures beginning with FY 2026, citing limited value relative to reporting burden:

- **Facility Commitment to Health Equity**
- **COVID-19 Vaccination Coverage Among Healthcare Personnel**
- **Screening for Social Drivers of Health**
- **Screen Positive Rate for Social Drivers of Health**

## Updates to the ECE Policy for the IPFQR Program

*Pages 107-112*

Under the ECE policy, CMS has granted exceptions with respect to quality data reporting requirements in the event of extraordinary circumstances beyond the control of an IPF. An exception may be granted for extraordinary circumstances including, but not limited to, natural disasters or systemic problems with data collection systems.

To offer more flexibility for IPFs facing events beyond their control, CMS finalizes its proposal to grant extensions when events like natural or man-made disasters hinder an IPF's ability to report. While the agency originally proposed shortening the deadline for requesting an ECE from 90 to 30 calendar days following the event, it has revised this timeline in response to stakeholder feedback. IPFs will now have up to 60 calendar days to submit ECE requests. CMS also retains the discretion to grant ECEs at any time after the event and may proactively issue ECEs to affected IPFs without a formal request in situations involving widespread or systemic disruptions.

### **RFI on Future Star Ratings for IPFs**

*Pages 112-117*

To offer greater transparency and help consumers understand and compare the quality of care in IPFs, CMS sought feedback on the potential development of a star rating system for IPFs under the IPFQR Program. CMS sought public input on key aspects of developing a five-star methodology, including criteria for selecting measures, the appropriateness of current IPFQR Program measures, the inclusion of specific outcomes such as restraint and seclusion hours, and the future integration of patient experience data from the upcoming Psychiatric Inpatient Experience (PIX) survey.

Stakeholders generally recognized the potential value of a star rating system for IPFs but raised concerns about feasibility and usefulness for patients and providers. Many noted that existing CMS star ratings are not widely understood by consumers and may have limited utility in psychiatric care settings, where treatment choices are often constrained. Commenters emphasized the need for an approach that accounts for case-mix, geographic disparities, and resource availability to avoid unfairly disadvantaging certain facilities. They also recommended prioritizing specific domains, such as patient safety, experience, and psychiatric-specific outcomes, and called for rigorous measure selection criteria and meaningful stakeholder engagement in developing the system.

### **RFI on Future Measures on Well-Being and Nutrition**

*Pages 117-120*

CMS requested feedback on two potential measure concepts for the IPFQR Program for future years:

1. **Well-Being:** CMS requested feedback on tools and measures that assess “overall health, happiness, and satisfaction in life,” including areas such as emotional well-being, social connections, and purpose.
2. **Nutrition:** CMS requested feedback on tools and frameworks that promote healthy eating habits, exercise, nutrition, or physical activity for optimal health, well-being, and best care for all.

Many commenters questioned the appropriateness of applying well-being and nutrition measures in IPFs, noting that such measures do not align with the setting's primary focus on

acute stabilization and patient safety. They expressed concern that these measures often reflect patients' conditions prior to admission rather than the quality of care delivered within the IPF, potentially creating administrative burden without offering meaningful insights. Commenters also raised doubts about the feasibility of implementing these measures, citing operational, resource, and methodological challenges, and encouraged CMS to engage experts and stakeholders in further development.

### **RFI on Digital Quality Measurement Strategy**

*Pages 120-125*

CMS requested public input on implementing a standardized, interoperable approach to patient assessment reporting in the IPFQR Program, as mandated by CAA, 2023. Specifically, CMS is exploring how to represent the new IPF Patient Assessment Instrument (IPF-PAI) using FHIR® standards to promote secure, efficient data sharing and improve decision-making.

CMS specifically requested feedback on current health IT use within IPFs, including the extent of EHR adoption, data exchange practices, technology challenges, and the potential impact of FHIR®-based technology on provider workflows and quality of care. The agency also invited suggestions on the technical assistance and resources needed to support the adoption of these technologies to ensure successful and secure reporting.

Many commenters expressed support for moving to a FHIR®-based standard, highlighting its potential to improve care coordination, behavioral health data reporting, and performance measurement. However, they also raised significant challenges including inconsistent state data-sharing laws, outdated systems, limited EHR adoption, and high costs, particularly for rural and resource-constrained IPFs. Several commenters urged CMS to provide financial incentives, technical assistance, and equitable support to help IPFs transition to this system.

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