

## CMS Proposes FY 2026 Payment Update and Quality Changes for Inpatient Psychiatric Facilities (CMS-1831-P)

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On April 11, 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](#) proposed rule. CMS released a [fact sheet](#) accompanying the rule. In this rule, CMS proposes to:

- Increase IPF PPS payment rates by 2.4 percent;
- Revise the facility-level adjustment factors for facility teaching status and rural location;
- Increase electroconvulsive therapy (ECT) payment per treatment;
- Modify the reporting period of one measure under the IPFQR Program;
- Remove four measures from the IPFQR Program beginning with the FY 2026 payment determination;
- Update 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; and
- Solicit stakeholder feedback on implementing Executive Order 14192<sup>1</sup> on Medicare deregulation and burden reduction.

In addition, CMS requests feedback on developing a five-star rating system for IPFs. CMS also requests 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 interoperability and patient assessment data reporting.

**This proposed rule is scheduled to be published in the *Federal Register* on April 30, 2025, and comments are due by June 10, 2025.**

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

For FY 2026, CMS proposes to increase IPF payment rates by 2.4 percent (compared to a 2.8 percent finalized increase for FY 2025). This rate increase is based on a proposed 3.2 percent

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<sup>1</sup> [EO 14192](#), Unleashing Prosperity Through Deregulation

market update, which is reduced by a productivity adjustment of 0.8 percentage points. 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

IPFs are paid a daily base rate covering all routine, ancillary, and capital costs, and 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 proposes updates to the facility-level adjustment factors for teaching status and rural location. Drawing on more recent claims and cost data, as well as public comments received in response to the FY 2025 IPF PPS proposed rule's Request for Information (RFI), CMS proposes to increase both the teaching and rural location adjustment factors.

Specifically, the rural adjustment would 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 would increase from 0.5150 to 0.7981, which CMS states would more appropriately reflect the higher indirect operating costs associated with facilities that operate qualified teaching programs.

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

As required by 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<sup>2</sup>, these proposed updates would be implemented in a budget-neutral manner. This means that total estimated IPF payments for FY 2026 would remain unchanged regardless of whether the proposed adjustments are finalized.

See Table 1 below for proposed FY 2026 per diem and ECT payment rates, relative to FY 2025.

**Table 1. IPF PPS Payment Rates by Fiscal Year**

IPF PPS	FY 2025 (Current)	FY 2026 (Proposed)
Per Diem Base Rate	\$876.53	\$891.99

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<sup>2</sup> Pub. L. 106–113

Electroconvulsive Therapy Payment (per treatment)	\$661.52	\$673.19
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### Outlier Threshold

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

CMS proposes that if more recent data becomes available it will be used to determine the FY 2026 per diem base rate, ECT payment, and the final outlier fixed dollar loss threshold amount.

## CMS PROPOSES QUALITY REPORTING PROGRAM CHANGES; SEEKS FEEDBACK ON POTENTIAL IPF STAR RATING SYSTEM AND NEW MEASURE CONCEPTS

Under the IPFQR Program, all inpatient psychiatric facilities (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.

In this proposed rule, CMS proposes modifying one existing measure and removing four others. No new measures are being proposed at this time.

CMS also proposes updates to its ECE policy and is issuing three Requests for Information (RFIs) related to the IPFQR Program.

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

CMS proposes 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):** To better align the IPF ED Visit measure with the 30-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization measure, CMS proposes extending the current one-year reporting period for the IPF ED Visit measure to a two-year period. The proposed two-year reporting period would span from July 1, four years prior to the applicable fiscal year's payment determination, to June 30, two years prior to the applicable fiscal year's payment determination. As part of this change, the first reporting period for the measure would be adjusted to Quarter 3 (Q3) of calendar year (CY) 2025 through Q2 of CY 2027, for the FY 2029 payment determination.

### Proposed Removal of Two Measures Beginning with the FY 2026 Payment Determination

Beginning with FY 2026, CMS proposes the removal of the following four measures:

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

CMS proposes to remove these measures because the costs associated with these measures outweigh the benefits of their continued use in the program. The agency invites public comment on its proposals to remove these measures.

### **Proposed Updates to the ECE Policy for the IPFQR Program**

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 flexible relief for IPFs facing events beyond their control, CMS proposes updates to the ECE policy under the IPFQR Program. The revised policy would explicitly allow CMS to grant extensions for meeting quality data reporting requirements, alongside existing exemptions, when events like natural or man-made disasters hinder an IPF's ability to report. CMS also proposes shortening the deadline for ECE requests from 90 to 30 calendar days following the event, aligning with other quality reporting programs, while still retaining the authority to grant ECEs at any time after the event. Additionally, CMS may proactively issue ECEs to affected IPFs, even if no request is submitted, in cases of widespread or systemic disruptions.

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

To offer greater transparency and help consumers understand and compare the quality of care in IPFs, CMS seeks feedback on the potential development of a star rating system for IPFs under the IPFQR Program. While CMS currently reports IPF quality measure data on the Medicare Compare tool, star ratings are not yet available for IPFs. CMS seeks 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. CMS notes its goal is to create a data-driven, well-tested system that promotes quality improvement and supports informed decision-making for patients, families, providers, and payers, with multiple opportunities for stakeholder engagement throughout the process.

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

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

1. **Well-Being:** CMS requests 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 requests 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.

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

CMS seeks 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 requests 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. It also invites suggestions on the technical assistance and resources needed to support the adoption of these technologies to ensure successful and secure reporting.

## **CMS ISSUES RFI TO SUPPORT TRUMP EXECUTIVE ORDER ON DEREGULATION AND MEDICARE BURDEN REDUCTION**

On January 31, 2025, President Trump signed Executive Order 14192, “Unleashing Prosperity Through Deregulation,”<sup>1</sup> outlining a policy goal to substantially reduce the cost of regulatory compliance to promote economic growth, national security, and quality of life. In alignment with this directive, CMS includes an RFI to gather public feedback on ways to simplify regulations and ease burdens for stakeholders in the Medicare program. The RFI can be accessed, and comments can be submitted at <https://www.cms.gov/medicare-regulatory-relief-rfi>.

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*This Applied Policy® Summary was prepared by [Caitlyn Bernard](#) with support from the Applied Policy team of health policy experts. If you have any questions or need more information, please contact her at [cbernard@appliedpolicy.com](mailto:cbernard@appliedpolicy.com) or at (571) 451-6594.*