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CMS Releases FY 2026 Proposed Rule for Skilled Nursing Facilities, Increasing Payment Rates and Proposing Quality Changes (CMS 1827-P)

On April 11,2025, the Centers for Medicare & Medicaid Services (CMS) issued the fiscal year (FY) 2026 Prospective Payment System (PPS) and Consolidated Billing for Skilled Nursing Facilities (SNFs) proposed rule. CMS released a fact sheet accompanying the rule.

In this rule, CMS proposes to:

- Increase SNF PPS payment rates by 2.8 percent,
- Update Patient Driven Payment Model (PDPM) code mapping,
- Remove four social determinants of health (SDOH) items and modify the reconsideration process for the SNF Quality Reporting Program (QRP),
- Remove the Health Equity Adjustment in the SNF Value-Based Purchasing Program (VBP),
- Update the Extraordinary Circumstance Exception (ECE) policy to allow CMS to grant extensions when extraordinary events impact a SNF's ability to meet reporting requirements, and
- Solicit stakeholder feedback on various Requests for Information (RFIs).

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

SKILLED NURSING FACILITIES TO RECEIVE A $997 MILLION INCREASE IN FY 2026 PAYMENTS

For FY 2026, CMS proposes to increase SNF payment rates by 2.8 percent. Overall, CMS estimates that payments to SNFs will increase by $997 million in FY 2026, relative to FY 2025. This increase is based on a 3.0 percent market basket update plus a 0.6 percent forecast error adjustment, offset by a -0.8 percent multifactor productivity (MFP) adjustment.[1]

[1] The MFP adjustment is a 10-year moving average of changes in annual economy-wide private nonfarm business multifactor productivity.

These financial impacts do not include SNF Value-Based Purchasing reductions, which are estimated to be $208.36 million in FY 2026 (this figure is listed as $196.5 million in the fact sheet, and AP is in communication with CMS to determine which number is correct).

Table 1. Proposed Unadjusted Federal Rate per Diems for FY 2026[2]

Rate Component	Physical Therapy Case-Mix	Occupational Therapy Case-Mix	Speech-Language Pathology Case-Mix	Nursing Case-Mix	Non-Therapy Ancillaries Case-Mix	Non-Case Mix
Unadjusted Per Diem - Urban	$75.42	$70.20	$28.16	$131.47	$99.19	$117.73
Unadjusted Per Diem - Rural	$85.98	$78.96	$35.48	$125.61	$94.76	$119.91

CMS periodically updates the base year of the market basket used to set SNF PPS payments to better reflect the expenses incurred by SNFs. In the FY 2025 SNF PPS final rule, CMS finalized replacing the base year from 2018 to 2022.

CMS PROPOSES CHANGES TO THE SNF QUALITY REPORTING PROGRAM

SNFs are required to report certain quality data under the SNF Quality Reporting Program (SNF QRP). SNFs that fail to report the required quality data will continue to have an additional 2-percentage point reduction applied to their payments.

SDOH Measures Proposed for Removal

In FY 2025, CMS adopted four new social determinants of health (SDOH) items to be reported as standardized patient assessment data elements under the SNF QRP: living situation, utilities, and two food related items. **For FY 2026, CMS proposes to remove these four data assessment elements under the SDOH category starting with the FY 2027 SNF QRP**. CMS invites comments on the proposal to remove these four standardized patient assessment data from the SNF QRP.

Modifications to the Reconsideration Process

Since 2016, SNFs have been able to request reconsideration from CMS after receiving a letter of non-compliance with the SNF QRP requirements, if they believe the finding was made in error. SNFs must submit their reconsideration request within 30 days of receiving the letter. However, CMS may grant an extension if the SNF demonstrates

[2] See Tables 3 and 4 at page 18 of the unpublished proposed rule.

"extenuating circumstances." CMS proposes to replace the term "extenuating circumstances" with "extraordinary circumstances" to clarify that an extension may be granted when a facility is affected by factors beyond its control, such as a natural or man-made disaster.

CMS also proposes revising the criteria for approving reconsideration requests, across all post-acute care setting quality reporting programs. A reversal of a CMS determination will only be granted if the SNF is found to be in full compliance with the SNF QRP requirements for the applicable program year. Full compliance also includes situations where a facility has been granted an exception or extension to the reporting requirements. CMS requests feedback on all proposals to modify the reconsideration process.

RFI on Interoperability, Well-being, Nutrition, and Delirium

CMS seeks feedback on four potential measure concepts for the SNF QRP for future years:

1. **Interoperability:** CMS requests feedback on approaches to assessing interoperability in the SNF setting, such as measures that address readiness for interoperable data exchange or evaluate the ability of data systems to share information securely.

2. **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 and purpose.

3. **Nutrition:** CMS requests feedback on tools and frameworks that promote nutrition and activity relevant to optimal health, well-being, and overall care.

4. **Delirium:** CMS requests feedback on tools and measures that assess a change in an individual's mental state or consciousness associated with symptoms or conditions in post-acute care residents.

CMS is also requesting feedback on these areas for other post-acute care settings.

RFI on Data Submission Deadline

CMS requests feedback on a potential future reduction of the SNF QRP data submission deadline from 4.5 months to 45 days. This would allow SNFs to use more timely quality data. Specifically, CMS is requesting comment on the following questions:

- How this potential change could improve the timeliness and actionability of SNF QRP quality measures;

- How this potential change could improve public display of quality information; and
- How this potential change could impact SNF workflows or require updates to systems.

CMS PROPOSES TECHNICAL UPDATES TO THE PDPM ICD-10 MAPPINGS

The Patient-Driven Payment Model (PDPM) is a case-mix classification model used for classifying SNF patients in a covered Part A stay, finalized by CMS in the FY 2019 final rule. This model is designed to improve the overall accuracy and appropriateness of SNF payments by classifying patients into payment groups based on specific, data-driven patient characteristics. The PDPM uses the International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10) codes to assign patients to clinical categories based on the person's primary diagnosis.

CMS proposes changes to the PDPM ICD-10 code mappings, including changing the clinical category assignment for 34 new ICD-10 codes that were effective October 1, 2024. Most of these codes were mapped from "medical management" category to the "return to provider" category.

Return to Provider means that CMS believes that there are more specific or appropriate diagnoses that would better serve as the primary diagnosis for a Part-A covered SNF stay.

CMS MAKES UPDATES TO THE SNF VALUE-BASED PURCHASING PROGRAM

Since October 1, 2018, CMS has provided incentive payments to all SNFs paid under the SNF PPS based on their score in the SNF Value-based Purchasing Program (SNF VBP). These payments are funded by a 2-percent payment withhold. The incentive payment functions as a multiplier that is applied to all Fee-For-Service Part A claims paid under the SNF PPS. In the FY 2026 proposed rule, CMS proposes removal of the Health Equity Adjustment and modifications to the reconsideration process.

CMS proposes to remove the Health Equity Adjustment (HEA) beginning in FY 2027 to streamline regulations and establish clearer incentives for providers. This change would also remove the variable payback percentage tied to HEA performance finalized in the FY2024 rule.

In an effort to ensure accurate publicly available data and SNF performance scores, CMS also proposes to allow SNF providers the ability to appeal decisions rendered

under the existing review and correction process. SNFs currently have two opportunities to submit review and correction requests, however once CMS responds, these decisions are final. Under this proposal, providers would be able to appeal an initial CMS review and correction decision, and CMS would provide a timely written decision before any affected data becomes public.

CMS REQUESTS PROVIDER FEEDBACK ON ADVANCING DIGITAL QUALITY MEASUREMENT IN SNFS

CMS requests wide-ranging provider feedback on the state of information technology (IT) in SNFs to advance the digital quality measurement (dQM) transition. CMS seeks input on topics including existing electronic health record adoption and utilization, submission of quality data submission to CMS, the use of third-party IT vendors, privacy and data standards (especially the Fast Healthcare Interoperability Resources® (FHIR®) standard), barriers to adoption, and recommendations for future CMS standards and resources.[3] CMS also seeks to gauge potential interest in provider and vendor pilots on electronic transmission of assessments to CMS, and briefly discusses a potential future SNF VBP requirement for interoperable information exchange. Similar requests regarding interoperability and secure data exchange are also included in other FY 2026 post-acute care setting rules.

CMS INVITES COMMENT ON DEREGULATION PER RECENT EXECUTIVE ORDER

On January 31, 2025, President Trump signed Executive Order 14192,4 Unleashing Prosperity Through Deregulation, directing federal agencies to reduce regulatory costs and administrative burdens. In response, CMS is seeking public input on ways to streamline Medicare regulations and ease compliance for providers, beneficiaries, and other stakeholders. Comments can be submitted through the RFI portal at: https://www.cms.gov/medicare-regulatory-relief-rfi.

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[3] Full list of questions is available on pages 59-62 of the unpublished rule.