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CMS Proposes FY 2027 Payment Update and Quality Changes for Inpatient Psychiatric Facilities

On April 2, 2026, the Centers for Medicare & Medicaid Services (CMS) issued the fiscal year (FY) 2027 proposed Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) Rate Update rule. CMS released a fact sheet accompanying the rule. In this rule, CMS proposes to:

- Increase IPF PPS payment rates by 2.3 percent;
- Increase electroconvulsive therapy (ECT) payment per treatment;
- Cap facility-level outlier payments at 20 percent and set the FY 2027 outlier threshold at $37,820;
- Remove two measures from the IPFQR Program beginning with the FY 2028 payment determination; and
- Implement a standardized IPF patient assessment tool, as required by statute.

This proposed rule is scheduled to be published in the *Federal Register* on April 7, 2026, and comments are due by June 1, 2026.

IPF PAYMENTS FOR FY 2027

Pages 12-16[1]

For FY 2027, CMS proposes increasing IPF payment rates by 2.3 percent (compared to the 2.5 percent finalized increase for FY 2026). This rate increase is based on a proposed 3.1 percent market update, reduced by a 0.8 percentage point productivity adjustment. Overall, CMS estimates that payments to IPFs will increase by $50 million (2.1 percent) in FY 2027 compared to FY 2026. 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 16-44

IPFs receive a daily base rate that covers routine, ancillary, and capital costs, which is adjusted based on patient and facility characteristics. Patient-level adjustments include age, Diagnosis-Related Group (DRG) assignment, comorbidities, and per diem costs that vary throughout a patient's stay. Facility-level adjustments account for wage index, rural location, teaching

[1] All page numbers listed are from the unpublished proposed rule.

status, cost of living, and emergency department (ED) presence. The IPF PPS also provides additional payment policies for outlier cases, interrupted stays, and per-treatment payments for electroconvulsive therapy (ECT) patients. Payments are further adjusted to reflect higher costs at the start of a patient's stay and lower costs toward the end.

See Table 1 below for proposed FY 2027 per diem and electroconvulsive therapy (ECT) payment rates, relative to FY 2026.

Table 1. IPF PPS Payment Rates by Fiscal Year

IPF PPS	FY 2026 (Current)	FY 2027 (Proposed)
Per Diem Base Rate	$892.87	$912.58
Electroconvulsive Therapy Payment (per treatment)	$673.85	$688.73

Outlier Threshold

Pages 45-53

The IPF PPS includes an outlier adjustment designed to encourage access to care for patients requiring high-cost treatment and to limit the financial risk for IPFs treating unusually costly cases. Outlier payments are calculated by comparing the estimated cost of an IPF stay to a fixed threshold, which is updated annually to limit outlier payments to 2 percent of total IPF PPS payments.

CMS notes that under the current methodology, outlier payments have become concentrated among a few facilities with relatively high routine costs, contributing to increases in the outlier threshold and a decline in qualifying facilities and cases. To address this, CMS proposes a facility-level cap on outlier payments of 20 percent, effective in FY 2027, which it estimates would impact about 3.6 percent of providers. CMS expects the cap to reduce the influence of high-cost facilities, increase the number of providers and stays qualifying for outlier payments, and improve payment distribution. The agency seeks comment on alternative cap levels, potential exemptions for low-volume facilities, and broader factors contributing to higher costs, which may inform future refinements to the IPF PPS.

Consistent with this proposal, CMS proposes an outlier fixed dollar loss threshold of $37,820 for FY 2027, compared to $39,360 in FY 2026. CMS indicates that, without the proposed cap, the threshold would have increased to approximately $42,720 to maintain the 2 percent outlier payment target.

These proposed updates would result in modest overall payment increases for IPFs, though the lower update relative to FY 2026 may not fully offset rising operating costs for some providers. The proposed outlier cap is designed to prevent a small number of high-cost facilities from disproportionately influencing outlier payments, which could allow a larger number of IPFs and patient stays to qualify for these adjustments and improve the overall distribution of payments.

PROPOSED QUALITY REPORTING PROGRAM CHANGES

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 in the facility's annual payment update.

Proposed Removal of Two Measures Beginning with the FY 2028 Payment Determination

Pages 54-61

Beginning with the calendar year (CY) 2026 reporting period/FY 2028 payment determination, CMS proposes the removal of the following two measures:

- **Alcohol Use Brief Intervention Provided or Offered and Alcohol Use Brief Intervention (SUB-2/2a) Measure**
- **Tobacco Use Treatment Provided or Offered at Discharge (TOB3/3a) Measure**

CMS proposes to remove these two measures because their costs outweigh the benefits of continued use in the program. Additionally, for the SUB-2/2a measure, the agency states it proposes removal because it can be replaced by a more broadly applicable measure.

Proposed Standardized Patient Assessment Instrument

Pages 61-84

As mandated by section 4125(b)(1) of the Consolidated Appropriations Act of 2023 (CAA, 2023), CMS proposes to implement the Inpatient Psychiatric Facility Patient Assessment Instrument (IPF-PAI) to support standardized data collection under the IPF QRP. Beginning with data collection in FY 2028 (impacting the FY 2029 payment determination), IPFs would be required to report assessment data for all patients age 18 and older at admission and discharge. CMS states that the IPF-PAI is intended to improve data comparability, support care coordination, and inform future refinements to quality measurement and payment, while minimizing burden through a streamlined set of assessment items.

The IPF-PAI would include standardized assessment items across the five statutory data categories: functional status; cognitive function and mental status; special services, treatments, and interventions; medical conditions and comorbidities; and impairments.

CMS proposes quarterly data submission beginning October 1, 2027, with a compliance threshold requiring completion of 100 percent of items for at least 80 percent of submitted assessments to avoid a payment reduction. CMS also notes that IPF-PAI data may inform future policy changes and seeks comment on implementation considerations, including potential expansion to younger populations and opportunities to improve interoperability and reduce burden.

To support implementation, CMS proposes two data submission options: a CMS-developed web-based application available at no cost, and application programming interfaces (APIs) based on the Fast Healthcare Interoperability Resources (FHIR®) standard for integration with electronic health records. CMS indicates that both methods would use FHIR-based standards

and transmit data securely to the Internet Quality Improvement and Evaluation System (iQIES).

The proposed IPF-PAI would establish a standardized approach for collecting patient assessment data across IPFs, supporting consistent reporting for quality measurement and care coordination. Over time, implementing the IPF-PAI may yield a more uniform dataset to inform future policy decisions, quality reporting, and payment adjustments.

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