

FY 2027 Hospital IPPS & LTCH Proposed Rule: Summary of Key Provisions

Overview

CMS's FY 2027 IPPS proposed rule introduces updates to inpatient payment rates, quality programs, graduate medical education, and alternative payment models. The rule reflects continued movement toward prospective payment refinement, quality-based reimbursement, and episode-based accountability.

1. Payment Updates and Financial Impact

- IPPS and LTCH rate increases of 2.4%, resulting in ≈\$1.4 billion increase in payments to acute care hospitals and ≈\$55 million increase to LTCHs in FY 2027.
- Continuation of new technology add-on payments is estimated to increase payments by \$464 million in FY 2027
- Expiration of the Medicare-Dependent Hospital (MDH) program and low-volume hospital adjustments on December 31, 2026 (absent legislative action to extend) could reduce payments by around \$400 million in FY 2027.

2. Expansion of Episode-Based Payment Models

- **Transforming Episode Accountability Model (TEAM):**
 - Updates to episode triggers, quality measurement, and pricing methodology.
 - Applies to procedures including CABG, joint replacement, spinal fusion, and major bowel procedures.
- **Comprehensive Care for Joint Replacement Expanded (CJR-X) Model:**
 - Proposed mandatory nationwide expansion beginning FY 2028.
 - Applies to inpatient and outpatient joint replacement procedures.
 - Includes 90-day episode accountability for cost and quality.
 - Estimated to achieve \$725 million in Medicare savings across 5 performance years.

Impacted Specialties:

- Orthopedics (joint replacement)
- Cardiac surgery (CABG)
- General surgery (bowel procedures)

Key Takeaways

- 2.4% payment rate update for both IPPS and LTCH
- Mandatory participation in Comprehensive Joint Replacement model for acute care hospitals beginning in FY 2028
- Quality measurement continues to evolve
- Rural hospitals face increased financial risk due to expiring programs.



3. Quality Reporting and Value-Based Programs

- **Hospital Inpatient Quality Reporting (IQR) Program:**
 - *New measures:* Diabetes Excess Days (FY 2029 payment determination), Advance Care Planning (FY 2030 payment determination), Postoperative VTE (FY 2030) payment determination).
 - *Modifications* to 5 mortality measures and 3 utilization measures, beginning with FY 2028 payment determination, and shortening the performance years from 3 to 2 years.
 - *Removal* of selected measures including VTE and stroke-related measures, beginning with the FY 2030 payment determination.
- **Hospital Readmissions Reduction Program (HRRP):**
 - *New measure:* 30-day all-cause readmission following sepsis hospitalization (for use beginning in FY 2029).
- **Hospital Value-Based Purchasing (VBP):**
 - *Modifications* to mortality measures (AMI, heart failure, pneumonia, COPD, CABG) beginning in FY 2032 program year.
 - Inclusion of Medicare Advantage patients.
 - Shortened performance period (from 3 years to 2)
- **Hospital-Acquired Condition Reduction Program** – No changes proposed.
- **Long-Term Care Hospital Quality Reporting Program (LTCH QRP):** Removal of 2 vaccine-related measures

Impacted Specialties:

- Orthopedics (VTE-related measures)
- Cardiology and pulmonology (mortality measures)
- Hospital medicine and critical care (sepsis readmissions)

4. Medicare Promoting Interoperability Program

- Updates to certified EHR technology (CEHRT) definition.
- Removal and modification of certain reporting measures and attestations.
- Addition of new reporting elements.

5. MS-DRG Classification Updates

- Annual updates to MS-DRG classifications and relative weights.
- Ongoing evaluation of coding and resource utilization changes.

For a more detailed summary of key provisions and key implications, along with links to the CMS Fact Sheet and the full text of the proposed rule, click [here](#).