

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 13279	Date: June 20, 2025
	Change Request 14132

SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for Fiscal Year (FY) 2026

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to notify contractors that a new IRF PRICER software package will be released prior to October 1, 2025, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2025 through September 30, 2026. The update can be found in Chapter 3, section 140.2 of publication 100-04 Medicare Claims Processing Manual.

EFFECTIVE DATE: October 1, 2025

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: October 6, 2025

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Attachment - Recurring Update Notification

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II. GENERAL INFORMATION

A. Background: The purpose of this Change Request (CR) is to notify contractors that a new IRF PRICER software package will be released prior to October 1, 2025, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2025 through September 30, 2026. The update can be found in Chapter 3, section 140.2 of publication 100-04 Medicare Claims Processing Manual.

On August 7, 2001, CMS published in the Federal Register a final rule that established the PPS for IRFs, as authorized under Subsection (§)1886(j) of the Social Security Act (the Act). In that final rule, CMS set forth per discharge Federal rates for Federal FY 2002. These IRF PPS payment rates became effective for cost reporting periods beginning on or after January 1, 2002. Annual updates to the IRF PPS rates are required by §1886(j)(3)(C) of the Act.

B. Policy: Each July, the Centers for Medicare & Medicaid Services (CMS) publishes the IRF payment rates for the upcoming FY (that is, October 1, 2025 through September 30, 2026) in the Federal Register, available online at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/IRF-Rules-and-Related-Files>. The payment rates will be effective October 1, 2025.

As discussed in the FY 2025 IRF PPS final rule, CMS adopted the latest CBSA delineations from OMB Bulletin 23-01. For providers located in counties that were previously considered rural, and that are considered urban beginning in FY 2025, we finalized a rural transition policy. In accordance with the policy finalized in the FY 2025 IRF PPS final rule, these IRFs will receive one-third of the rural adjustment for FY 2026, and no rural adjustment for FY 2027 and subsequent years.

Provider Specific File (PSF) Updates

Effective FY 2023, a permanent five (5) percent cap was adopted and applied to all IRF providers on any decrease to a provider's final wage index from that provider's final wage index of the prior fiscal year. Under the 5 percent cap policy, a new IRF that opens during FY 2026 would be paid the wage index for the area in which it is geographically located for its first full or partial FY with no cap applied because a new IRF would not have a wage index in the prior FY.

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	the PSF file as changes occur in data element values.									
14132.3	Contractors shall access the IRF PPS Pricer via the Cloud to pay FY 2026 payment rates on claims with discharge dates on or after October 1, 2025.	X								

IV. PROVIDER EDUCATION

Medicare Learning Network® (MLN): CMS will develop and release national provider education content and market it through the MLN Connects® newsletter shortly after we issue the CR. MACs shall link to relevant information on your website and follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1 for distributing the newsletter to providers. When you follow this manual section, you don't need to separately track and report MLN content releases. You may supplement with your local educational content after we release the newsletter.

Impacted Contractors: A/B MAC Part A

V. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

VI. CONTACTS

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VII. FUNDING

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ATTACHMENTS: 0