

Small Entity Compliance Guide

Medicare Program; Fiscal Year (FY) 2026 Hospice Wage Index and Payment Rate Update and Hospice Quality Reporting Program Requirements

[CMS-1835-F], [RIN 0938-AV49]

Published in the August 05, 2025 **Federal Register** 90 FR 37404.

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA, Pub. L. 104-121, as amended by Pub. L. 110-28, May 25, 2007) contains requirements for issuance of “small entity compliance guides.” Guides are to explain what actions affected entities must take to comply with agency rules. Such guides must be prepared when agencies issue final rules for which agencies were required to prepare a Final Regulatory Flexibility Analysis under the Regulatory Flexibility Act.

This final rule is estimated to have a significant economic impact on a substantial number of small entities. The complete text of this final rule can be found on the CMS website by clicking on the link to “CMS-1835-F” at <https://www.cms.gov/medicare/payment/fee-for-service-providers/hospice/hospice-regulations-and-notices/cms-1835-f>

Summary

We have prepared this guide to address the following provisions of the final rule:

The overall impact of the Fiscal Year (FY) 2026 Hospice Wage Index and Payment Rate Update final rule, as detailed in the Regulatory Flexibility Analysis (RFA) and Regulatory Impact Analysis (RIA) sections of the final rule and discussed below, reflects an estimated increase of 2.6 percent in payments to hospice providers.

Hospice Payment System

This final rule updates the payment rates for hospices for FY 2026, as required under section 1814 (i) of the Social Security Act (the Act), effective October 1, 2025.

The RFA requires agencies to analyze options for regulatory relief of small entities, if a rule has a significant impact on a substantial number of small entities. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and small jurisdictions. We consider all hospices as small entities as that term is used in the RFA. The North American Industry Classification System (NAICS) was adopted in 1997 and is the current standard used by the Federal statistical agencies related to the U.S. business economy. There is no NAICS code specific to hospice services. Therefore, we utilized the NAICS U.S. industry title “Home Health Care Services” and corresponding NAICS code 621610 in determining impacts for small entities. According to the most recent Small Business Administration size schedule, small entities under NAICS code 621610

are considered small businesses if they generate revenues of \$19 million or less. The economic impact assessment is based on estimated Medicare payments (revenues) and HHS's practice in interpreting the RFA is to consider effects economically "significant" only if greater than 5 percent of providers reach a threshold of 3 to 5 percent or more of total revenue or total costs. The majority of hospices visits are Medicare-paid visits and therefore the majority of hospices' revenue consists of Medicare payments. The Secretary has determined that this final rule will have a significant economic impact on a substantial number of small entities. The overall impact of the FY 2026 hospice final rule, as detailed in the RFA and RIA sections of the final rule, reflects an estimated increase of 2.6 percent in payments to hospice providers.

The overall increase in estimated total hospice payments in FY 2026 of approximately 2.6 percent, is based on the 3.3 percent inpatient hospital market basket percentage increase reduced by a final 0.7 percentage point productivity adjustment. The combined effects vary by specific types of providers and by location. Additionally, the simulated payments are based on utilization in FY 2024 as seen on Medicare hospice claims (accessed from the CCW on May 09, 2025) and only include payments related to the level of care and do not include payments related to the service intensity add-on.

Freestanding non-profit hospices are estimated to see a 2.8 percent increase and facility-based non-profit hospices are estimated to see a 3.2 percent increase in payments in CY 2026. Freestanding proprietary hospices are estimated to see a 2.5 percent increase and facility-based proprietary hospices are estimated to see a 2.9 percent increase in payments in CY 2026. Urban freestanding non-profit hospices are estimated to see a 2.8 percent increase in payments and urban facility-based non-profit hospices are estimated to see a 3.1 percent increase in payments. Rural freestanding non-profit hospices are estimated to see a 3.1 percent increase in payments for FY 2026 and rural facility-based non-profit hospices are estimated to see a 3.8 percent increase in payments. Based on the number of total hospices, the freestanding hospices are estimated to experience a 2.6 percent increase in payments for FY 2026. In contrast, the facility-based hospices are estimated to experience a 3.2 percent increase in payments for FY 2026. Government hospices are estimated to see a 3.3 percent increase in payments while other hospices are estimated to receive a 3.2 percent increase in payments in FY 2026.

In order to assist hospices in understanding and adapting to changes in Medicare billing and payment procedures, we provide the following online manuals that present compliance information regarding our hospice regulations. The manuals are frequently updated to reflect the latest changes in Medicare hospice policy. These manuals serve, in part, as a system of small entity compliance guides that meet the letter and spirit of SBREFA.

Medicare Benefit Policy Manual; Chapter 9- Hospice Services:
<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c09.pdf#page=8>

Medicare Claims Processing Manual; Chapter 11- Hospice Billing:
<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/clm104c11.pdf>

Hospice Quality Reporting Program (HQRP)

This final rule corrects a technical error in the regulations text at § 418.312(j). This rule also reinforces updates on the HQRP and the Hospice Outcomes and Patient Evaluation (HOPE) instrument and public reporting, future quality measures (QMs), and the transition of hospice providers from the Quality Improvement and Evaluation System (QIES) to the internet Quality Improvement and Evaluation System (iQIES). CMS also reviewed input for two RFIs regarding future quality measure concepts and advancing digital quality measurement for HQRP.

To support hospices in implementing this final rule, there are several resources that are available to remain in compliance with new and current HQRP requirements. The HOPE Guidance Manual and related materials are available on the CMS' HQRP HOPE webpage at <https://www.cms.gov/medicare/quality/hospice/hope>.

To access current and past training regarding HOPE and other hospice quality reporting topics, users can reference information at <https://www.cms.gov/medicare/quality/hospice/hqrp-training-and-education-library>.

To assist users in outlining current quality measures and the most updated calculation of measures, users can reference information at <https://www.cms.gov/medicare/quality/hospice/current-measures>.

To help providers address a range of questions, troubleshoot problems, and request guidance and support, the following website outlines contact information for Help Desks related to the HQRP at <https://www.cms.gov/medicare/quality/hospice/hqrp-help-desks>.