

Medicare Unit Cost Increases Reported as of January 2026

The tables below show Medicare Fee-for-Service (FFS) unit cost increases by service category, including both actual results and estimated increases.

The estimated increases represent the Office of the Actuary's current estimates of such values. The actual results for the estimated increases will be finalized later in 2026 and may be different from the estimates below.

These unit cost increases are provided to give actuaries, who prepare Medicare Advantage bids, information about Medicare FFS payments by service category. Consideration should be given to the following information:

- These unit cost increases are based on current law as of January 1, 2026
- The increases exclude the effects of sequestration
- Legislated adjustments include multifactor productivity and other adjustments required by the Affordable Care Act.
- These unit cost increases reflect increases (or decreases) in the applicable market basket or fee schedule, as implemented on the specified effective date; they do not include assumptions for utilization, case-mix, enrollment, or other payment changes.
- In developing bid assumptions, certifying actuaries must consider other influences (such as, legislation, selection, and price proxies) that may affect these unit cost increases.

Table 1 Medicare FFS Unit Cost Increases – Inpatient Hospital and Skilled Nursing Facility

Service Category	Medicare FFS Unit Cost Increases				Comments
	Actual Change Effective 10/1/2024	Actual Change Effective 10/1/2025	Estimated Change Effective 10/1/2026	Estimated Change Effective 10/1/2027	
Inpatient Hospital	2.9%	2.6%	2.3%	3.1%	—
Market basket	3.4%	3.3%	3.1%	4.2%	—
Legislated adjustments	-0.5%	-0.7%	-0.8%	-1.1%	Productivity.
Skilled Nursing Facility	4.2%	3.2%	2.3%	2.9%	—
Market basket	3.0%	3.3%	3.1%	4.0%	—
Per CMS regulations	1.7%	0.6%	—	—	Market basket forecast error correction in 2025 and 2026
Legislated adjustments	-0.5%	-0.7%	-0.8%	-1.1%	Productivity.

Table 2 Medicare FFS Unit Cost Increases – Home Health Agency and Other Medicare Part B Services

Service Category	Medicare FFS Unit Cost Increases			Comments
	Actual Change Effective 1/1/2025	Actual Change Effective 1/1/2026	Estimated Change Effective 1/1/2027	
Home Health Agency	0.9%	−1.3%	5.2%	Permanent behavior adjustments in 2025 and 2026. Includes a temporary cut in 2026 and a reversal of the temporary cut in 2027.
Market basket	3.2%	3.2%	3.1%	—
Per CMS regulations	−1.8%	−3.6%	2.8%	Permanent behavior adjustment only in 2025; includes temporary cut in 2026 which is reversed in 2027.
Legislated adjustments	−0.5%	−0.8%	−0.8%	Productivity.
Outpatient Hospital	2.9%	2.6%	2.3%	—
Market basket	3.4%	3.3%	3.1%	—
Legislated adjustments	−0.5%	−0.7%	−0.8%	Productivity.
Physician	−2.5%	3.0%	−2.0%	Weighted average of multiple payment updates in 2025; legislated in 2026 and 2027.
Laboratory Fee Schedule	0.0%	0.0%	5.6%	Per section 216 of PAMA ¹ , changes effective 1/1/2025, 1/1/2026, and 1/1/2027 are based on private payor rates.
Ambulance	2.4%	2.0%	1.8%	—
Consumer price index	3.0%	2.7%	2.7%	—
Legislated adjustments	−0.6%	−0.7%	−0.9%	Productivity.
DME²	2.4%	2.0%	1.8%	—
Consumer price index	3.0%	2.7%	2.7%	—
Legislated adjustments	−0.6%	−0.7%	−0.9%	Productivity.
Dialysis	2.2%	2.1%	1.6%	—
Market basket	2.7%	2.9%	2.4%	—
Legislated adjustments	−0.5%	−0.8%	−0.8%	Productivity.

¹ Protecting Access to Medicare Act of 2014

² Non-competitively bid services