



Low-Volume Hospital Payment Adjustment & the Medicare-Dependent Hospital Program: FY 2026 Extensions

Related Change Request (CR) Information	
Number: 14415	Release Date: April 14, 2026
Effective Date: January 31, 2026	Implementation Date: April 17, 2026
Transmittal Numbers: R13703OTN & R13735OTN	
Title: Extensions of Certain Temporary Changes to the Low-Volume Hospital Payment Adjustment and the Medicare-Dependent Hospital (MDH) Program under the Inpatient Prospective Payment System (IPPS) Provided by the Consolidated Appropriations Act, 2026	

Affected Providers

- Low-volume hospitals
- Medicare-dependent hospitals (MDHs)

Action Needed

Make sure your billing staff knows:

- The Consolidated Appropriations Act, 2026 extended through December 31, 2026:
 - Temporary changes for the low-volume hospital payment adjustment policies
 - MDH program
- The deadline to submit qualification or verification for the low-volume hospital payment adjustment for FY 2026 discharges is April 17, 2026
- Your Medicare Administrative Contractor (MAC) will apply the low-volume hospital payment adjustment prospectively for qualifying providers who submit qualification or verification after April 17, 2026

Key Updates

Low-Volume Hospital Extensions for FY 2026

Recent legislation extended the temporary changes to the low-volume hospital qualifying criteria and payment adjustment under the Inpatient Prospective Payment System (IPPS) that were in effect 2019–2025.

Section 6201 of the [Consolidated Appropriations Act, 2026](#) extended the modified definition of low-volume hospital, including the qualifying criteria, and the method for calculating the low-volume hospital payment adjustment through December 31, 2026. [42 CFR 412.101](#) regulates the low-volume hospital payment adjustment policies.

In most cases, hospitals need to submit sufficient documentation that they meet the applicable mileage and discharge criteria to determine qualification for the low-volume hospital payment adjustment for FY 2026 discharges. You must submit your request based on the most recent cost report no later than April 17, 2026, if your hospital is applying for:

- Initial qualification
- Re-qualification after a previous attempt to qualify before January 30, 2026
- Re-qualification after missing the previous deadline but qualifying in FY 2025

If your MAC gets your request after April 17, 2026, and you qualify, your MAC will apply the low-volume hospital payment adjustment for FY 2026 discharges prospectively within 30 days.

Note: If your hospital already applied, and qualified, for its FY 2026 discharges, your MAC will automatically apply this qualification through December 31, 2026, and you don't need to notify your MAC.

The Pricer applies the applicable low-volume hospital payment adjustment factor from the Provider Specific File (PSF) for hospitals with a value of "Y" in the low-volume hospital indicator field on the PSF. Your MAC applies the low-volume adjustment factor with a value of 0–25% based on regulations at [42 CFR 412.101\(c\)\(3\)](#).

MDH Program Extension & Sole Community Hospital Classification

Section 6202 of the [Consolidated Appropriations Act, 2026](#) extends the MDH program through December 31, 2026, which was previously set to expire on January 31, 2026.

With the extension of the MDH program, regulations at [42 CFR 412.92\(b\)\(2\)\(v\)](#) provide that MDHs can apply for classification as a sole community hospital (SCH). MDHs that wish to pursue SCH classification must submit an application by December 1, 2026, which is 30 days before the expiration of the MDH program. If the MDH gets approval, its SCH status will start when the MDH program expires.

For hospitals with MDH status as of January 30, 2026, CMS will retroactively reinstate the MDH classification with an effective date of January 31, 2026, and they don't need to reapply.

We won't automatically reinstate MDH classifications for any hospital that fits these exceptions:

- MDHs that requested a cancellation of their rural classification under [42 CFR 412.103\(b\)](#)
- MDHs that applied for and have SCH classification on or after January 1, 2026

These hospitals will need to reapply for MDH classification, following the classification regulations at [42 CFR 412.108](#).

Your MAC will update the Provider Type field on the PSF with the appropriate value depending on your MDH status as of January 30, 2026. See the [MDH classification examples](#) for more information.

Background

Low-Volume Hospital Qualifying Criteria

To qualify for the low-volume adjustment policy, a hospital must:

- Have fewer than 3,800 total discharges for the FY
- Be located more than 15 road miles from the nearest IPPS hospital

Note: Total discharges equal all discharges, regardless of payer (both Medicare and non-Medicare discharges). For the definition of miles, see [42 CFR 412.92\(c\)\(1\)](#).

We use cost report data to determine if the hospital meets the discharge criteria to get the low-volume payment adjustment as this is the best available data source that includes information on both Medicare and non-Medicare discharges.

Payment Adjustment Calculation

A qualifying hospital will get a payment adjustment we base on a continuous, linear sliding scale. The payment adjustment ranges from an additional 25% for low-volume hospitals with 500 or fewer discharges to 0% for low-volume hospitals with more than 3,800 discharges. For low-volume hospitals with:

- 500 or fewer total discharges, the low-volume hospital payment adjustment is 0.25
- More than 500 total discharges but less than 3,800 total discharges, we use this calculation: $0.25 - [0.25/3300] \times (\text{number of total discharges} - 500) = (95/330) - (\text{number of total discharges} / 13,200)$

For more information on the temporary changes to the low-volume hospital qualifying criteria and payment adjustment, see the FY 2026 IPPS and Long-Term Care Hospital [final rule](#).

More Information

We issued transmittals R13703OTN and R13735OTN to your MAC as the official instructions for this change. For more information, find your [MAC's website](#).

Document History

Date of Change	Description
April 15, 2026	Initial article released.

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