Hospice Payments: FY 2027 Update

Related Change Request (CR) Information	
Number: 14557	**Release Date:** August 18, 2026
Effective Date: October 1, 2026	**Implementation Date:** October 5, 2026
Transmittal Numbers: R13872CP & R13924CP	
Title: Update to Hospice Payment Rates, Hospice Cap, Hospice Wage Index and Hospice Pricer for Fiscal Year (FY) 2027	

Affected Providers

- Hospices
- Other providers billing Medicare Administrative Contractors (MACs) for hospice services

Action Needed

Make sure your billing staff knows about these FY 2027 hospice updates, effective October 1, 2026:

- Payment rates
- Inpatient aggregate caps
- Wage index

Key Updates

Hospice Payment Rates

The FY 2027 hospice payment update is 2.3%, which CMS bases on the inpatient hospital market basket update for FY 2027 of 3.2% reduced by the 0.9 percentage point multifactor productivity (MFP) adjustment for FY 2027. The FY 2027 hospice payment for hospices that don't submit the required quality data is –1.7%, which is the FY 2027 payment update of 2.3% minus the 4 percentage point quality reporting adjustment.

The FY 2027 hospice payment rates are effective for care and services you provide from October 1, 2026 – September 30, 2027. The Medicare Claims Processing Manual, Chapter 11, section 30.2 has more about the hospice payment rates. Refer to Table 1 and Table 2 of CR 14557 for the FY 2027 hospice payment rates.

Hospice Inpatient & Aggregate Caps

The FY 2027 hospice cap amount is $36,174.75, which we base on the FY 2026 cap amount of $35,361.44 and increased by the FY 2027 hospice payment update of 2.3%. For the FY 2027 inpatient cap, we'll calculate the percentage of all hospice days provided as inpatient days, including general inpatient care (GIP) and respite care for the FY 2027 cap year.

The FY 2027 cap year will be October 1, 2026 – September 30, 2027.

Hospice Wage Index

We use the hospice wage index to adjust payment rates to show local differences in wages. In FY 2023, we established a permanent 5% cap on any decrease to a geographic area's wage index from its wage index in the previous year, regardless of the circumstances causing the decline. In other words, a geographic area's wage index won't be less than 95% of its wage index calculated in the prior FY.

For FY 2025, we incorporated the Office of Management and Budget (OMB) revised delineations for the core-based statistical areas (CBSAs) into the hospice wage index. To help reduce any significant negative impacts on hospices because of this transition, we calculated the permanent 5% cap on decreases on the county level as well as the CBSA level so individual counties moving to a new area didn't experience more than a 5% decrease in wage index from the previous FY.

Some counties that changed OMB designations had a wage index value that differed from the wage index value we assigned to the other constituent counties that make up the CBSA or statewide rural area that they moved into because we applied the 5% cap. These specific counties must use a special 50xxx wage index transition code for claims processing purposes.

For FY 2027, we'll continue to calculate the 5% cap on wage index decreases at the county level. Counties that required a transition code for FY 2025 may continue to use the same transition code for FY 2027 as necessary. For counties that no longer require their transition code for FY 2027, you'll use the CBSA or rural county code of the area that we redesignated you into.

Refer to Table 3 of CR 14557 for a list of the counties that must use a special transition code for FY 2027. These codes can also be found in the FY 2027 hospice wage index file.

We'll incorporate the revised payment rates and wage index in the Hospice Pricer and send them to your MAC.

Hospice Labor Shares

The FY 2022 hospice final rule revised the labor shares we use to wage-adjust hospice payments for each level of care. The revised labor shares are:

- Routine home care: 66%
- Continuous home care: 75.2%
- Inpatient respite care: 61%
- GIP: 63.5%

Background

We update payment rates for hospice care, the hospice cap amount, and the hospice wage index annually. We use the inpatient hospital market basket, which we adjust for MFP and other factors to get the hospice payment update percentage.

We update the hospice cap amount by the hospice payment update percentage for accounting years that end after September 30, 2016, and before October 1, 2035. We finalized this policy in the FY 2027 hospice final rule and through legislative provisions in section 6218 of the Consolidated Appropriations Act, 2026.

Starting in FY 2024, there's a 4% payment reduction for any hospices that fail to meet quality reporting requirements. We authorized this quality reporting adjustment through section 407(b) of the Consolidated Appropriations Act, 2021.

More Information

We issued CR 14557 to your MAC as the official instruction for this change. For more information, find your MAC's website.

Document History

Date of Change	Description
August 18, 2026	Initial article released.