



Inpatient Psychiatric Facilities Prospective Payment System: FY 2027 Updates

Related Change Request (CR) Information	
Number: 14591	Release Date: October 8, 2026
Effective Date: October 1, 2026	Implementation Date: October 5, 2026
Transmittal Number: R14000CP	
Title: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2027	

Affected Providers

- Inpatient psychiatric facilities (IPFs)
- Other providers billing Medicare Administrative Contractors (MACs) for inpatient psychiatric services

Action Needed

Make sure your billing staff knows about these FY 2027 updates to the IPF Prospective Payment System (PPS):

- Market basket
- Wage index
- Quality reporting program
- Rural adjustment

Key Updates

Market Basket

Since the start of the IPF PPS, the Office of the Actuary periodically revises and rebases the IPF market basket to reflect the most recent data on IPF cost structures. For FY 2027, we're using the 2021-based IPF market basket to update the IPF PPS payments.

The FY 2027 federal per diem base rate is \$912.40. We updated this rate for 2027 by applying the adjusted market basket update of 2.3% (which is the 2021-based IPF market basket update of 3.2% minus a productivity adjustment reduction of 0.9 percentage points) and the wage index budget neutrality factor of 0.9989 to the FY 2026 federal per diem base rate of \$892.87.

The FY 2027 electroconvulsive therapy (ECT) payment per treatment is \$688.59. We updated this rate by applying the adjusted market basket update of 2.3% and the wage index budget neutrality factor of 0.9989 to the FY 2026 ECT payment per treatment of \$673.85.

Wage Index

For FY 2027, we're continuing our FY 2026 policy of updating the IPF PPS wage index with the concurrent wage data from the [final FY 2027 IPF wage index](#).

IPF Quality Reporting Program

Section 1886(s)(4)(A)(i) of the [Social Security Act](#) requires that we reduce any annual updates to a standard federal rate by 2 percentage points for discharges occurring during the FY for any IPF that doesn't comply with that year's IPF Quality Reporting (IPFQR) Program data submission requirements. The 2 percentage-point reduction applies when calculating the federal per diem base rate and the ECT payment per treatment.

For IPFs that fail to submit quality reporting data under the IPFQR Program for FY 2027, the:

- Adjusted market basket update is 0.3%
- Federal per diem base rate is \$894.56
- ECT payment per treatment is \$675.13

Pricer

The federal per diem base rate is:

- \$912.40 for IPFs that complied with quality data submission requirements
- \$894.56 for IPFs that failed to comply with quality data submission requirements

The ECT payment per treatment is:

- \$688.59 for IPFs that complied with quality data submission requirements
- \$675.13 for IPFs that failed to comply with quality data submission requirements

Other updates include:

- The fixed-dollar loss threshold amount is \$40,750
- We based the IPF PPS wage index on the FY 2027 pre-floor, pre-reclassified acute care hospital wage index
- The labor-related share is 78.9%
- The non-labor-related share is 21.1%

Provider-Specific File

In FY 2023, we adopted a permanent 5% cap, applicable to all IPF providers, on any decrease in the provider's final wage index from their final wage index in the prior FY. Under the 5% cap policy, we pay a new IPF that opens during FY 2027 the wage index for the geographic area in which it's located for its first full or partial FY without applying a cap because the new IPF doesn't have a wage index in the previous FY.

We're continuing to phase out the rural adjustment for IPFs that became urban in FY 2025 after adopting the revised core-based statistical area (CBSA) delineations found in [Office of Management and Budget \(OMB\) Bulletin 23-01](#). Under the transition policy, these IPFs won't get a rural adjustment for FY 2027.

National Urban & Rural Cost-to-Charge Ratios

Refer to the national cost-to-charge ratios in [Attachment 1](#).

ICD-10-CM & ICD-10-PCS

We updated the ICD-10-CM and ICD-10-PCS code sets, effective October 1, 2026. These updates affect the ICD-10-CM and ICD-10-PCS codes that underlie the IPF PPS Medicare Severity Diagnosis-Related Groups (MS-DRGs) and the IPF PPS comorbidity categories. Refer to [Acute Inpatient PPS](#) for the updated FY 2027 MS-DRG code lists and the [IPF PPS files](#) for the updated FY 2027 IPF PPS comorbidity categories.

Cost-of-Living Adjustment

We updated the FY 2027 IPF PPS cost-of-living adjustment (COLA) factors to be consistent with those under the IPPS in FY 2027. The COLAs are in [Addendum A](#).

Rural Adjustment

For FY 2027, IPFs designated as rural get an 18% rural adjustment. Also, as discussed in the FY 2025 IPF PPS final rule, we phased out the rural adjustment for IPFs that became urban in FY 2025 after adopting the revised CBSA delineations based on OMB Bulletin 23-01. Affected providers won't get a rural adjustment for FY 2027.

Background

We make annual updates to the IPF PPS. These changes apply to discharges occurring October 1, 2026 – September 30, 2027.

More Information

We issued CR 14591 to your MAC as the official instruction for this change. For more information, find your [MAC's website](#).

Document History

Date of Change	Description
October 8, 2026	Initial article released.

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