CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 13364	**Date: August 14, 2025**
	Change Request 14206

NOTE: This Transmittal is no longer sensitive and is being re-communicated December 3, 2025. The Transmittal Number, date of Transmittal and all other information remain the same. This instruction may now be posted to the Internet.

SUBJECT: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2026

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to identify changes that are required as part of the annual IPF PPS update established in IPF Final Rule entitled "**Medicare Program; FY 2026 Inpatient Psychiatric Facilities Prospective Payment System – Rate Update."** These changes are applicable to discharges occurring from October 1, 2025 through September 30, 2026 (FY 2026). This Recurring CR applies to the Claims Processing Manual (CPM), chapter 3, section 190.

EFFECTIVE DATE: October 1, 2025
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: October 6, 2025

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/190.4.1/Standardization Factor
R	3/190.4.3/Annual Update
R	3/190.6.2/Rural Location Adjustment
R	3/190.6.3/Teaching Status Adjustment
R	3/190.6.3.1/Full-Time Equivalent (FTE) Resident Cap
R	3/190.6.5/Cost-of-Living Adjustment (COLA) for Alaska and Hawaii

III. FUNDING:

For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically

authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 13364	Date: August 14, 2025	Change Request: 14206

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II. GENERAL INFORMATION

A. Background: On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the Prospective Payment System (PPS) for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate which includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (i.e., bad debts, and graduate medical education). CMS is required to make updates to this IPF PPS annually.

In addition, section 4125 of the Consolidated Appropriations Act, 2023 (CAA, 2023) (Pub. L. 117-328), which amended section 1886(s) of the Act, requires CMS to revise the Medicare prospective payment system for psychiatric hospitals and psychiatric units. Specifically, section 1886(s)(5)(D) of the Act, as added by section 4125(a) of the CAA, 2023 requires that the Secretary implement revisions to the methodology for determining the payment rates under the IPF PPS for psychiatric hospitals and psychiatric units, effective for Rate Year 2025 (FY 2025).

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update established in IPF Final Rule entitled "**Medicare Program; FY 2026 Inpatient Psychiatric Facilities Prospective Payment System – Rate Update.**" These changes are applicable to discharges occurring from October 1, 2025 through September 30, 2026 (FY 2026).

B. Policy: Fiscal Year 2026 Update to the IPF PPS

1. Updates to IPF PPS Facility-Level Adjustment Factors

In accordance with section 4125(a) of the CAA, 2023, CMS finalized updates to the payment adjustments for rural location and teaching status, effective for FY 2026. In addition, CMS finalized a proposal to recognize resident FTE cap increases that are awarded under section 4122 of the CAA, 2023 for the calculation of the teaching adjustment.

Section 1886(s)(5)(D)(iii) of the Act, as added by section 4125(a) of the CAA, 2023, states that revisions in payment implemented pursuant to section 1886(s)(5)(D)(i) for a rate year shall result in the same estimated amount of aggregate expenditures under this title for psychiatric hospitals and psychiatric units furnished in the rate year as would have been made under this title for such care in such rate year if such revisions had not been implemented. Accordingly, CMS applied a refinement standardization factor of 0.9927 to the IPF PPS federal per diem base rate and ECT per treatment amount to maintain budget neutrality.

A summary of the applicable adjustment factors and payment rates can be found in **Attachment One**.

2. Market Basket Update:

Since the IPF PPS inception, the Office of the Actuary periodically revises and rebases the IPF market basket to reflect more recent data on IPF cost structures. In the FY 2024 IPF PPS final rule, CMS rebased and revised the market basket applicable to IPFs and adopted a 2021-based IPF-specific market basket. For FY 2026, CMS is using the 2021-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2021-based IPF market basket update for FY 2026 is 3.2 percent. However, this 3.2 percent is subject to one reduction required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(i) of the Act requires the application of the "productivity adjustment" described in section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the Rate Year (RY) beginning in 2012 (that is, an RY that coincides with an FY), and each subsequent RY. For the FY beginning in 2025 (that is, FY 2026), the reduction is 0.7 percentage point. CMS implemented that provision in the FY 2026 IPF PPS Final Rule.

Therefore, CMS updated the IPF PPS base rate for FY 2026 by applying the adjusted market basket update of 2.5 percent (which includes the 2021-based IPF market basket update of 3.2 percent and a productivity adjustment reduction of 0.7 percentage point), the wage index budget neutrality factor of 1.0011, and the refinement standardization factor of 0.9927 to the FY 2025 Federal per diem base rate of $876.53, yielding an FY 2026 Federal per diem base rate of $892.87.

Similarly, applying the adjusted market basket update of 2.5 percent, the refinement standardization factor of 0.9927, and the wage index budget neutrality factor of 1.0011 to the FY 2025 ECT payment per treatment of $661.52 yields an ECT payment per treatment of $673.85 for FY 2026.

3. FY 2026 Wage Index Update

CMS continued its policy from the prior fiscal year of updating the IPF PPS wage index for FY 2026 with the concurrent wage data from the FY 2026 inpatient prospective payment system wage index before reclassifications and other adjustments are considered.

The FY 2026 final IPF PPS wage index is available online at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html.

4. Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the "Hospital Inpatient

Prospective Payment System for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Fiscal Year 2013 Rates" Final Rule (August 31, 2012) (77 FR 53258, 53644 through 53360). Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent fiscal year, the Secretary shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two percentage point reduction is applied when calculating the Federal per diem base rate and the ECT payment per treatment as follows:

- The adjusted market basket update of 2.5 percent (which includes the 2021-based IPF market basket update of 3.2 percent and a required productivity adjustment reduction of 0.7 percentage point) is reduced by 2.0 percentage points, for an update of 0.5 percent for IPFs that failed to meet quality reporting requirements.
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2026, the 0.5 percent update, the refinement standardization factor of 0.9927, and the wage index budget neutrality factor of 1.0011 are applied to the FY 2025 Federal per diem base rate of $876.53, yielding a Federal per diem base rate of $875.44.
- Similarly, for IPFs that failed to submit quality reporting data under the IPFQR program for FY 2026, the 0.5 percent update, the refinement standardization factor of 0.9927, and the wage index budget neutrality factor of 1.0011 are applied to the FY 2025 ECT payment per treatment of $661.52, yielding a per treatment ECT payment of $660.70 for FY 2026.

5. PRICER Updates: IPF PPS Fiscal Year 2026 (October 1, 2025 – September 30, 2026):

- The Federal per diem base rate is $892.87 for IPFs that complied with quality data submission requirements.
- The Federal per diem base rate is $875.44, when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.
- The fixed dollar loss threshold amount is $39,360.
- The IPF PPS wage index is based on the FY 2026 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 79.0 percent.
- The non-labor related share is 21.0 percent.
- The ECT payment per treatment is $673.85 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is $660.70 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.
- The revised IPF PPS adjustment factors for rural location and teaching status are summarized in Attachment One.
- Pricer will apply the rural transition for IPFs that became urban in FY 2025 because of the adoption of the revised CBSA delineations based on OMB Bulletin 23–01 in FY 2025, based on information entered in the Provider Specific File.

6. Provider Specific File (PSF) Updates

Effective beginning Fiscal Year (FY) 2023, a permanent five percent cap was adopted and applied to all IPF providers on any decrease to a provider's final wage index from that provider's final wage index of the prior fiscal year. Under the five percent cap policy, a new IPF that opens during FY 2026 would be paid the wage index for the area in which it is geographically located for its first full or partial FY with no cap applied, because a new IPF would not have a wage index in the prior FY.

In addition, we are continuing our policy to phase out the rural adjustment for IPFs that became urban in FY 2025 because of the adoption of the revised CBSA delineations based on OMB Bulletin 23–01. Under this

transition policy, these providers will receive an FY 2026 rural adjustment that is equal to one-third of the rural adjustment that was applicable in FY 2024. For FY 2027, these IPFs will not receive a rural adjustment.

To implement these policies for FY 2026, the following fields will be updated in the Provider Specific File:

- **Supplemental Wage Index** - used for the prior fiscal year wage index value
- **Supplemental Wage Index Indicator** - used to indicate the value in the "Supplemental Wage Index" field is the prior fiscal year wage index, and whether a rural transition applies.

Medicare Administrative Contractors must update the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" for all providers that were active in FY 2025.

Medicare Administrative Contractors must follow the steps below to ensure the appropriate values are applied in the Supplemental Wage Index and Supplemental Wage Indicator fields:

1. If the provider was not active for FY 2025, then skip all of the below steps and leave the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" fields blank. If the provider was active for FY 2025, then follow the steps below.
2. Validate the accuracy of the provider's FIPS state and county codes.
3. Validate the accuracy of the provider's CBSA based on the provider's FIPS state and county codes and the CBSA delineations defined in OMB Bulletin No. 23–01. A crosswalk from the FIPS state and county codes to the FY 2026 CBSA delineations is available online at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html.
4. Identify the FY 2025 IPF wage index calculated by the pricer software and used to pay claims for each provider in FY 2025, and add this wage index value to "Supplemental Wage Index" field.
5. If the provider's "Supplemental Wage Index Indicator" for FY 2025 was "3", then maintain the value of "Supplemental Wage Index Indicator" to be "3". Otherwise, for all other providers that were active for FY 2025, update the value of "Supplemental Wage Index Indicator" to be "1".

7. The National Urban and Rural Cost to Charge Ratios for the IPF PPS Fiscal Year 2026

- **See Attachment One:** "National Cost to Charge Ratios (CCRs)"

8. ICD-10 CM/PCS Updates

For FY 2026, CMS is revising the IPF PPS adjustment factors as discussed above. Additionally, CMS updated the ICD-10-CM/PCS code set, effective October 1, 2025. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. The updated FY 2026 MS-DRG code lists are available on the IPPS website at https://www.cms.gov/medicare/medicare-fee-for-service-payment/acuteinpatientpps, and the updated FY 2026 IPF PPS comorbidity categories are available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools

There were no changes for FY 2026 to the IPF Electroconvulsive Therapy procedure code list.

9. COLA Adjustment

The IPF PPS Cost of Living Adjustment (COLA) factors for FY 2026 are the same as those used in FY 2025.

- See **Attachment One**: "Cost of Living Adjustments (COLAs)."

10. Rural Adjustment

For FY 2026, IPFs designated as "rural" will receive an 18 percent rural adjustment. In addition, as discussed in the FY 2025 IPF PPS Final Rule, we phased out the rural adjustment for IPFs that became urban in FY 2025 because of the adoption of the revised CBSA delineations based on OMB Bulletin 23–01. Affected providers will receive an FY 2026 rural adjustment that is equal to one-third of the rural adjustment that was applicable in FY 2024. For FY 2027, these IPFs will not receive a rural adjustment.

Specifically, affected providers will receive a FY 2025 rural adjustment factor of 1.113; and a FY 2026 rural adjustment factor of 1.057 percent.

III. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
14206.1	Medicare contractors shall perform the updates as outlined in the policy section, item 6 "Provider Specific File (PSF) Updates" of this notification.	X								
14206.1.1	Medicare contractors shall update ALL relevant portions of the PSF in accordance with this CR by October 1, 2025.	X								
14206.2	As specified in publication 100-04, Medicare Claims Processing Manual, chapter 3, section 20.2.3.1, Medicare contractors shall maintain the accuracy of the data and update the PSF file as changes occur in data element values.	X								
14206.3	CMS shall ensure that the IPF PPS Pricer includes all FY 2026 IPF PPS updates.									IPF Pricer, PCS
14206.4	Contractors shall access the IPF PPS Pricer via the Cloud to pay FY 2026 payment rates on claims with discharge dates on or after October 1, 2025.	X								

IV. PROVIDER EDUCATION

Medicare Learning Network® (MLN): CMS will develop and release national provider education content and market it through the MLN Connects® newsletter shortly after we issue the CR. MACs shall link to relevant information on your website and follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1 for distributing the

newsletter to providers. When you follow this manual section, you don't need to separately track and report MLN content releases. You may supplement with your local educational content after we release the newsletter.

Impacted Contractors: A/B MAC Part A

V. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
	N/A

Section B: All other recommendations and supporting information: N/A

VI. CONTACTS

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VII. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 1

Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

(Rev. 13364; Issued: 08-14-25)

190.4.1 - Standardization Factor

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

The CMS standardized the IPF PPS Federal per diem base rate for Rate Year 2005 in order to account for the overall positive effects of the IPF PPS payment adjustment factors. To standardize the IPF PPS payments, CMS compared the IPF PPS payment amounts calculated from the FY 2002 MedPAR file to the projected TEFRA payments from the FY 2002 cost report file updated to the midpoint of the IPF PPS implementation period (that is, October 2005). The standardization factor was calculated by dividing total estimated payments under the TEFRA payment system by estimated payments under the IPF PPS. CMS then applied this factor to the average per diem cost of an IPF stay.

For FY 2025, CMS applied a refinement standardization factor to the IPF PPS federal per diem base rate and ECT per treatment amount to ensure that the rates reflect the FY 2025 update to the patient-level adjustment factors in a budget neutral manner.

For FY 2026, CMS applied a refinement standardization factor to the IPF PPS federal per diem base rate and ECT per treatment amount to ensure that the rates reflect the FY 2026 update to the facility-level adjustment factors in a budget neutral manner.

190.4.3 - Annual Update

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

Prior to rate year (RY) 2012, the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) was on a July 1st - June 30th annual update cycle. The first update to the IPF PPS occurred on July 1, 2006 and every July 1st thereafter.

Effective with RY 2012, the IPF PPS payment rate update period switched from a rate year that began on July 1st ending on June 30th to a period that coincides with a fiscal year (FY). To transition from a RY to a FY, the IPF PPS RY 2012 covered the 15 month period from July 1st -September 30th. This change to the payment update period allowed one consolidated annual update to both the rates and the ICD-10-CM/PCS coding changes (MS-DRG, comorbidities, and code first). Coding and rate changes will continue to be effective October 1st-September 30th of each year thereafter.

In accordance with 42 CFR 412.428, the annual update includes revisions to the Federal per diem base rate, the hospital wage index, ICD-10-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) payment per treatment, the fixed dollar loss threshold amount and the national urban and rural cost-to-charge medians and ceilings.

Below are the Change Requests (CRs) for the applicable Rate Years (RYs) and Fiscal Years (FYs), which are issued via a Recurring Update Notification.

RY 2009 - CR 6077
RY 2010 - CR 6461
RY 2011 - CR 6986
RY 2012 - CR 7367
FY 2013 - CR 8000
FY 2014 - CR 8395
FY 2015 - CR 8889
FY 2016 - CR 9305
FY 2017 - CR 9732
FY 2018 - CR 10214
FY 2019 - CR 10880
FY 2020 - CR 11420
FY 2021 – CR 11949
FY 2022- CR 12417
FY 2023 – CR 12859
FY 2024 – CR 13335
FY 2025 – CR *13766*
FY 2026 – CR

Change Requests can be accessed through the following CMS Transmittals Website: *https://www.cms.gov/medicare/regulations-guidance/transmittals*

190.6.2 - Rural Location Adjustment

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

On claims with discharges before October 1, 2025, there is a 17 percent adjustment if a facility is located in a rural area. *On claims with discharges on or after October 1, 2025, there is an 18 percent adjustment if a facility is located in a rural area.* The IPF PPS defines urban and rural areas at 42 CFR 412.402.

190.6.3 - Teaching Status Adjustment

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

IPFs that train interns and residents receive a facility-level adjustment to the Federal per diem base rate. The cost of direct graduate medical education (DGME) and nursing and allied health education are not paid through the IPF PPS.

PRICER calculates the adjustment by adding 1 to the ratio of interns and residents to the average daily census (ADC). *On claims with discharges before October 1, 2025, that sum is then raised* to the 0.5150 power. *On claims with discharges on or after October 1, 2025, the sum of 1 and the ratio of interns and residents to the ADC is raised to the 0.7957 power.*

The number of interns and residents is capped at the level indicated on the latest cost report submitted by the IPF prior to November 15, 2004. *The cap may be increased by the number of FTE residents awarded to the IPF under section 4122 of the CAA, 2023.* (See §190.6.3.1 for more detailed instructions for the FTE Resident Cap).

For beneficiaries enrolled in a Medicare Advantage plan, IPFs may bill for DGME and nursing and allied health education costs. There is no authority to pay teaching status adjustment to IPFs for Medicare Advantage beneficiaries, as is done under the IPPS.

190.6.3.1 - Full-Time Equivalent (FTE) Resident Cap

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

There is a cap on the number of FTE residents that may be counted for purposes of calculating the teaching adjustment. There is no limit to the number of residents teaching institutions can hire or train. There is only a limit to the number of residents who may be counted in calculation of the IPF PPS teaching adjustment. The cap is the number of FTE residents that trained in the IPF during a base year. *The cap may be increased by the number of FTE residents awarded to the IPF under section 4122 of the CAA, 2023.*

An IPF's FTE resident cap is determined based on the IPF's most recently filed cost report, filed prior to November 15, 2004. IPFs that first began training residents after November 15, 2004, will initially receive an FTE cap of zero. The FTE caps for new IPFs (as well as existing IPFs) that start training residents in a new DGME program (as defined in 42 CFR 413.79(1)) may be subsequently adjusted in accordance with the policies that are being applied in the IPF PPS (as described in 42 CFR 412.424(d)(1)(iii)(B)(2)). *Effective October 1, 2025, an IPF's FTE resident cap may also be increased by the number of resident FTE slots awarded under section 4122 of the CAA, 2023, either to an IPF hospital or to an IPPS hospital for resident FTEs that are allocated to the IPF subunit paid under the IPF PPS.*

IPFs are not permitted to aggregate the FTE resident caps used to compute the IPF PPS teaching status adjustment through affiliation agreements. Residents with less than fulltime status and residents rotating through the psychiatric hospital or unit for less than a full year are counted in proportion to the time they spend in their assignment with the IPF (for example, a resident on a full-time, 3-month rotation to the IPF would be counted as 0.25 FTEs for purposes of counting residents to calculate the ratio). No FTE resident time counted for purposes of the IPPS Indirect Medical Education (IME) adjustment is allowed to be counted for purposes of the teaching status adjustment under the IPF PPS.

The denominator used to calculate the teaching status adjustment under the IPF PPS is the IPF's ADC from the current cost reporting period. If IPFs have more FTE residents in a given year than *their FTE resident cap*, payments are based on the lower number (the cap amount) in that year. If an IPF were to have fewer FTE residents in a given year than its FTE resident cap, an adjustment in payments in that year is based on the lower number (the actual number of FTE residents the facility trains).

190.6.5 - Cost-of-Living Adjustment (COLA) for Alaska and Hawaii

(Rev. 13364; Issued: 08-14-25; Effective: 10-01-25; Implementation: 10-06-25)

The IPF PPS includes a payment adjustment for IPFs located in Alaska and Hawaii based upon the area in which the IPF is located. An adjustment for IPFs located in Alaska and Hawaii is made by multiplying the non-labor related share of the Federal per diem base rate and ECT rate by the applicable COLA factor. The CMS notes that the COLA areas for Alaska are not defined by county as are the COLA areas for Hawaii. In 5 CFR §591.207, the OPM established the following COLA areas:

(a) City of Anchorage, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
(b) City of Fairbanks, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
(c) City of Juneau, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
(d) Rest of the State of Alaska.

In FY 2018, CMS updated the IPF COLA amounts; these updated amounts will remain in effect for FY 2018 through FY 2021.

In FY 2022, CMS updated the IPF COLA amounts; these updated amounts will remain in effect for FY 2022 through FY 2025. For comparison purposes, CMS is showing the COLA factors effective for FY 2018 through FY 2021 in the first column and in the second column COLA factors effective for FY22 through FY25. *In FY 2026, CMS maintained the FY 2025 COLA factors.*

Comparison of IPF PPS Cost-of-Living Adjustment Factors: IPFs Located in Alaska and Hawaii

Area	FY 2018 through FY 2021	FY 2022 through FY *2026*
Alaska:		
City of Anchorage and 80-kilometer (50-mile) radius by road	1.25	1.22
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.25	1.22
City of Juneau and 80-kilometer (50-mile) radius by road	1.25	1.22
Rest of Alaska	1.25	1.24
Hawaii:		
City and County of Honolulu	1.25	1.25
County of Hawaii	1.21	1.22
County of Kauai	1.25	1.25
County of Maui and County of Kalawao	1.25	1.25

Attachment 1
FY 2026 IPF PPS Final Rates and Adjustment Factors

Per Diem Rate:

Federal Per Diem Base Rate	$892.87
Labor Share (79.0%)	$705.37
Non-Labor Share (21.0%)	$187.50

Per Diem Rate Applying the 2 Percentage Point Reduction:

Federal Per Diem Base Rate	$875.44
Labor Share (79.0%)	$691.60
Non-Labor Share (21.0%)	$183.84

Fixed Dollar Loss Threshold Amount:

$39,360

Wage Index Budget-Neutrality Factor:

1.0011

Refinement Standardization Factor:

0.9927

Facility Adjustments:

Rural Adjustment Factor	1.18
Teaching Adjustment Factor	0.7957
Wage Index	FY 2026 Pre-floor, Pre-reclassified IPPS Hospital Wage Index

Cost of Living Adjustments (COLAs):

Area	Cost of Living Adjustment Factor
Alaska:	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.22
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.22
City of Juneau and 80-kilometer (50-mile) radius by road	1.22
Rest of Alaska	1.24
Hawaii:	
City and County of Honolulu	1.25
County of Hawaii	1.22
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Patient Adjustments:

ECT – Per Treatment	$673.85
ECT – Per Treatment Applying the 2 Percentage Point Reduction	$660.70

Variable Per Diem Adjustments:

	Adjustment Factor
Day 1 -- Facility Without a Qualifying Emergency Department	1.28
Day 1 -- Facility With a Qualifying Emergency Department	1.54
Day 2	1.20
Day 3	1.15
Day 4	1.12
Day 5	1.08
Day 6	1.06
Day 7	1.03
Day 8	1.02
Day 9	1.01
Day 10 and After	1.00

Age Adjustments:

Age (in years)	Adjustment Factor
Under 45	1.00
45 and under 55	1.02
55 and under 60	1.05
60 and under 65	1.06
65 and under 70	1.09
70 and under 80	1.11
80 and over	1.13

DRG Adjustments:

MS-DRG	MS-DRG Descriptions	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.12
057	Degenerative nervous system disorders w/o MCC	1.11
876	OR procedure w principal diagnoses of mental illness	1.29
880	Acute adjustment reaction & psychosocial dysfunction	1.08
881	Depressive neuroses	1.06
882	Neuroses except depressive	1.02
883	Disorders of personality & impulse control	1.17
884	Organic disturbances & intellectual disabilities	1.08
885	Psychoses	1.00
886	Behavioral & developmental disorders	1.07
887	Other mental disorder diagnoses	1.00
894	Alcohol/drug abuse or dependence, left AMA	0.86
895	Alcohol/drug abuse or dependence w rehabilitation therapy	0.90
896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	1.00
897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	0.95
917	Poisoning and toxic effects of drugs w MCC	1.19
918	Poisoning and toxic effects of drugs w/out MCC	1.12
947	Signs and Symptoms w MCC	1.12
948	Signs and Symptoms w/out MCC	1.09

Comorbidity Adjustments:

Comorbidity	Adjustment Factor
Developmental Disabilities	1.04
Tracheostomy	1.09
Eating Disorders	1.09
Renal Failure, Acute	1.06
Renal Failure, Chronic	1.08
Oncology Treatment	1.44
Uncontrolled Diabetes Mellitus	1.05
Severe Protein Malnutrition	1.17
Cardiac Conditions	1.04
Gangrene	1.12
Chronic Obstructive Pulmonary Disease and Sleep Apnea	1.09
Artificial Openings – Digestive & Urinary	1.07
Severe Musculoskeletal & Connective Tissue Diseases	1.05
Poisoning	1.16
Intensive Management for High-Risk Behavior	1.07

National Median and Ceiling Cost-to-Charge Ratios (CCRs):

CCRs	Rural	Urban
National Median	0.5720	0.4200
National Ceiling	2.4373	1.8305