

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-02 Medicare Benefit Policy	Centers for Medicare & Medicaid Services (CMS)
Transmittal 13506	Date: December 5, 2025
	Change Request 14309

SUBJECT: Calendar Year (CY) 2026 Update to the Federally Qualified Health Center (FQHC) Prospective Payment System (PPS) and Payment Rates for Intensive Outpatient Program (IOP) Services for FQHCs

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to update the Prospective Payment System (PPS) base payment rate and the Geographic Adjustment Factors (GAFs) for the Federally Qualified Health Center (FQHC) Pricer and update payment rates for Intensive Outpatient Program (IOP) Services for FQHCs.

EFFECTIVE DATE: January 1, 2026

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: January 5, 2026

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
N/A	N/A

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

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II. GENERAL INFORMATION

A. Background: Section 10501(i)(3)(A) of the Affordable Care Act (Pub. L. 111–148 and Pub. L. 111–152) added Section 1834(o) of the Act to establish a payment system for the costs of FQHC services under Medicare Part B based on prospectively set rates. In the PPS for FQHC Final Rule published in the May 2, 2014, Federal Register (79 FR 25436), the Centers for Medicare & Medicaid Services (CMS) implemented a methodology and payment rates for FQHCs under the PPS beginning on October 1, 2014.

Section 4124 of the Consolidated Appropriations Act of 2023 (CAA, 2023) established coverage and payment under Medicare for the Intensive Outpatient Program (IOP) benefit, effective January 1, 2024. Section 4124(c) of the CAA, 2023 requires payment for IOP services furnished by FQHCs to be made at the same payment rate as if it were furnished by a hospital. Section 4124(c) of the CAA, 2023 also requires that costs associated with IOP services furnished by FQHCs to not be used to determine payment amounts under the FQHC prospective payment system (PPS). For CY 2024, CMS finalized a 3 services per day payment rate for IOP services furnished in FQHCs and for CY 2025, 4 or more services per day payment rate for IOP services furnished in FQHCs. CRs 13264 and 13580 implemented these IOP services.

B. Policy: Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for all FQHC services furnished to a beneficiary on the same day when a medically necessary face-to-face FQHC visit is furnished to a Medicare beneficiary. Section 1834(o)(2)(B)(ii) of the Act requires that the payment for the first year after the implementation year be increased by the percentage increase in the Medicare Economic Index (MEI). In subsequent years, the FQHC PPS base payment rate will be increased by the percentage increase in a market basket of FQHC goods and services, or if such an index is not available, by the percentage increase in the MEI.

Beginning in 2017, the FQHC PPS rate is updated annually by the FQHC market basket. Based on historical data through second quarter 2025, the FQHC market basket for CY 2026 is 2.5 percent. From January 1, 2026, through December 31, 2026, the FQHC PPS base payment rate is \$207.72. The 2026 base payment rate reflects a 2.5 percent increase above the 2025 base payment rate of \$202.65.

In accordance with Section 1834(o)(1)(A) of the Act, the FQHC PPS base rate is adjusted for each FQHC by the FQHC Geographic Adjustment Factor (GAF), based on the Geographic Practice Cost Indices (GPCIs) used to adjust payment under the Physician Fee Schedule (PFS). The FQHC GAF is adapted from the work and practice expense GPCIs and are updated when the work and practice expense GPCIs are updated for the PFS. For CY 2026, the FQHC PPS GAFs have been updated in order to be consistent with the statutory requirements.

Contractors shall load the FQHC Pricer effective January 1, 2026.

We are implementing the following payment rates for 3 IOP services and 4 or more IOP services furnished in FQHCs for IOP services furnished on or after January 1, 2026. The IOP payment rate for 3 or fewer service days is \$319.38. The IOP payment rate for 4 or more service days is \$418.45. For IOP services furnished in FQHCs, the payment is based on the lesser of an FQHC's actual charges or the 3 services per day or the 4 or more services per day IOP payment rate, whichever is applicable. For grandfathered tribal FQHCs, payment will be the Medicare outpatient per visit rate as established by the IHS when furnishing IOP services. That is, payment is based on the lesser of a grandfathered tribal FQHC's actual charges or the Medicare outpatient per visit rate.

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	
14309.1	Contractors shall load the FQHC Pricer effective January 1, 2026.									FQHC Pricer

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: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

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

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ATTACHMENTS: 0