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|----------------------------------------------|-----------------------------------------------------------|
| <b>CMS Manual System</b>                     | <b>Department of Health &amp; Human Services (DHHS)</b>   |
| <b>Pub 100-04 Medicare Claims Processing</b> | <b>Centers for Medicare &amp; Medicaid Services (CMS)</b> |
| <b>Transmittal 13851</b>                     | <b>Date: August 7, 2026</b>                               |
|                                              | <b>Change Request 14544</b>                               |

**SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Web Pricer Changes for Fiscal Year (FY) 2027**

**I. SUMMARY OF CHANGES:** The purpose of this Change Request (CR) is to notify contractors that a new IRF Web Pricer software package will be released prior to October 1, 2026, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2026, through September 30, 2027. The update can be found in chapter 3, section 140.2 of publication 100-04 Medicare Claims Processing Manual.

**EFFECTIVE DATE: October 1, 2026**

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

**IMPLEMENTATION DATE: October 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.

| <b>R/N/D</b> | <b>CHAPTER / SECTION / SUBSECTION / TITLE</b> |
|--------------|-----------------------------------------------|
| 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:** On August 7, 2001, CMS published in the Federal Register a final rule that established the PPS for IRFs, as authorized under Subsection (§)1886(j) of the Social Security Act (the Act). In that final rule, CMS set forth per discharge Federal rates for Federal FY 2002. These IRF PPS payment rates became effective for cost reporting periods beginning on or after January 1, 2002. Annual updates to the IRF PPS rates are required by §1886(j)(3)(C) of the Act.

**B. Policy:** Each July, CMS publishes the IRF payment rates for the upcoming FY (that is, October 1, 2026, through September 30, 2027) in the Federal Register, available online at <https://www.cms.gov/medicare/payment/prospective-payment-systems/inpatient-rehabilitation/rules-related-files>. The payment rates will be effective October 1, 2026.

As discussed in the FY 2025 IRF PPS final rule, CMS adopted the latest CBSA delineations from OMB Bulletin 23-01. For providers located in counties that were previously considered rural, and that are considered urban beginning in FY 2025, we finalized a rural transition policy. In accordance with the policy finalized in the FY 2025 IRF PPS final rule, these IRFs will receive one-third of the rural adjustment for FY 2026, and no rural adjustment for FY 2027 and subsequent years.

### **Provider Specific File (PSF) Updates**

Effective FY 2023, a permanent five (5) percent cap was adopted and applied to all IRF 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 5 percent cap policy, a new IRF that opens during FY 2027 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 IRF would not have a wage index in the prior FY.

In addition, as discussed in the FY 2025 IRF PPS Final Rule, we implemented a phase out of the rural adjustment for IRFs that became urban in FY 2025 because of the adoption of the revised CBSA delineations based on OMB Bulletin 23-01. For FY 2025, we applied two-thirds of the rural adjustment for these providers. For FY 2026, we applied one-third of the rural adjustment for those providers. For FY 2027, these IRFs will not receive a rural adjustment.

To implement this policy for FY 2027, the following fields will be updated in the Provider Specific File:

1. Supplemental Wage Index - used for the prior fiscal year wage index value
2. 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 (MACs) must update the “Supplemental Wage Index” and “Supplemental Wage Index Indicator” for all the IRF providers who were active in FY 2026.

MACs 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 2026, then skip all the steps below and leave the “Supplemental Wage Index” and “Supplemental Wage Index Indicator” fields blank. If the provider was active for FY 2026, 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 FY 2026 CBSA based on the provider’s FIPS state and county codes and the CBSA delineations defined in the OMB Bulletin No. 23-01.
4. Identify the FY 2026 IRF wage index calculated by the pricer software and used to pay claims for each provider in FY 2026, and add this wage index value to “Supplemental Wage Index” field.
5. If the provider’s FY 2024 CBSA was rural and the provider’s FY 2025 CBSA was urban, then leave the value of “Supplemental Wage Index Indicator” as “3” in the PSF. Otherwise, for all other providers that were active for FY 2026, update the value of “Supplemental Wage Index Indicator” to be “1”.

### III. BUSINESS REQUIREMENTS TABLE

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

| Number  | Requirement                                                                                                                                                                                                                                    | Responsibility |   |     |            |                           |     |     |     |       |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---|-----|------------|---------------------------|-----|-----|-----|-------|
|         |                                                                                                                                                                                                                                                | A/B MAC        |   |     | DME<br>MAC | Shared-System Maintainers |     |     |     | Other |
|         |                                                                                                                                                                                                                                                | A              | B | HHH |            | FISS                      | MCS | VMS | CWF |       |
| 14544.1 | Medicare contractors shall perform the updates as outlined in the policy section, item 1 “PSF Updates” of this notification. Medicare Contractors shall update ALL relevant portions of the PSF in accordance with this CR by October 1, 2026. | X              |   |     |            |                           |     |     |     |       |
| 14544.2 | Medicare contractors shall maintain the accuracy of the data and update the PSF file as changes occur in data element values, as specified in publication 100-04, Medicare Claims Processing Manual, chapter 3, section 20.2.3.1.              | X              |   |     |            |                           |     |     |     |       |
| 14544.3 | Contractors shall access the IRF PPS Web Pricer via the Cloud to pay FY 2027 payment rates on claims with discharge dates                                                                                                                      | X              |   |     |            |                           |     |     |     |       |

| Number | Requirement                  | Responsibility |   |     |            |                           |     |     |     |       |
|--------|------------------------------|----------------|---|-----|------------|---------------------------|-----|-----|-----|-------|
|        |                              | A/B MAC        |   |     | DME<br>MAC | Shared-System Maintainers |     |     |     | Other |
|        |                              | A              | B | HHH |            | FISS                      | MCS | VMS | CWF |       |
|        | on or after October 1, 2026. |                |   |     |            |                           |     |     |     |       |

#### 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<br>Requirement<br>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

##### **Section A: For Medicare Administrative Contractors (MACs):**

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**ATTACHMENTS: 0**