

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 13872	Date: July 16, 2026
	Change Request 14557

NOTE: This Transmittal is no longer sensitive and is being re-communicated August 7, 2026. The Transmittal Number, date of Transmittal and all other information remain the same. This instruction may now be posted to the Internet.

SUBJECT: Update to Hospice Payment Rates, Hospice Cap, Hospice Wage Index and Hospice Pricer for Fiscal Year (FY) 2027

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to update the hospice payment rates, hospice wage index, and Pricer for FY 2027. The CR also updates the FY 2027 hospice aggregate cap amount. These updates apply to Publication (Pub) 100-04, chapter 11, section 30.2.

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.

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

Pub. 100-04	Transmittal: 13872	Date: July 16, 2026	Change Request: 14557
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II. GENERAL INFORMATION

A. Background: Payment rates for hospice care, the hospice cap amount, and the hospice wage index are updated annually.

The law governing payment for hospice care requires annual updates to the hospice payment rates. Payment rates are updated annually according to section 1814(i)(1)(C)(ii)(VII) of the Social Security Act ("the Act"), which requires CMS to use the inpatient hospital market basket, adjusted for Multifactor Productivity (MFP) and other adjustments as specified in the Act, to determine the hospice payment update percentage.

The hospice cap amount is updated annually in accordance with Subsection (§) 1814(i)(2)(B) of the Act and provides for an increase (or decrease) in the hospice cap amount. Division J, section 6218 of the Consolidated Appropriations Act, 2026 (CAA, 2026) (Pub. L. 119-75, February 3, 2026) amended section 1814(i)(2)(B) of the Act and extended the accounting years impacted by the adjustment made to the hospice cap calculation until 2035. Therefore, for accounting years that end after September 30, 2016, and before October 1, 2035, the hospice cap amount is updated by the hospice payment update percentage rather than the Consumer Price Index for All Urban Consumers (CPI-U). In the FY 2027 Hospice final rule we finalized conforming regulation text changes at § 418.309 to reflect the revisions at section 1814(i)(2)(B) of the Act as a result of the changes mandated by the CAA, 2026.

The hospice wage index is used to adjust payment rates to reflect local differences in wages. The hospice wage index is updated annually as discussed in hospice rulemaking.

Section 3004 of the Affordable Care Act (ACA) amended the Act to authorize a quality reporting program for hospices. Section 1814(i)(5)(A)(i) of the Act was amended by section 407(b) of Division CC, Title IV of the CAA, 2021 (Pub. L. 116-260) to change the payment reduction for failing to meet hospice quality reporting requirements from 2 to 4 percentage points. Specifically, the Act requires that, beginning with FY 2014 through FY 2023, the Secretary shall reduce the market basket update by 2 percentage points and beginning with the FY 2024 annual payment update and for each subsequent year, the Secretary shall reduce the market basket update by 4 percentage points for any hospice that does not comply with the quality data submission requirements for that FY.

B. Policy: FY 2027 Hospice Payment Rates

The hospice payment update percentage for Fiscal Year (FY) 2027 is based on the inpatient hospital market basket update of 3.2 percent. Due to the requirements at sections 1886(b)(3)(B)(xi)(II) and 1814(i)(1)(C)(v) of the Act, the inpatient hospital market basket update for FY 2027 of 3.2 percent must be reduced by a Multifactor Productivity (MFP) adjustment as mandated by the Affordable Care Act (currently estimated to be 0.9 percentage point for FY 2027). In effect, the hospice payment update percentage for FY 2027 is 2.3 percent.

The final FY 2027 rates for hospices that do not submit the required quality data would be updated by the FY 2027 hospice payment update percentage of 2.3 minus 4 percentage points which results in an update of -1.7 percent.

The FY 2027 hospice payment rates are effective for care and services furnished on or after October 1, 2026, through September 30, 2027. The hospice payment rates are discussed further in Pub. 100-04, Medicare Claims Processing Manual, chapter 11, Processing Hospice Claims, section 30.2.

The FY 2027 hospice payment rates are shown in Tables 1 and 2 of the attachment.

Hospice Inpatient and Aggregate Caps

In the FY 2016 Hospice Wage Index and Payment Rate Update Final Rule (80 FR 47142), we finalized aligning the cap accounting year for both the inpatient cap and the hospice aggregate cap, with the federal FY beginning in 2017. Therefore, the 2027 cap year will start on October 1, 2026, and end on September 30, 2027.

For the inpatient cap for the 2027 cap year, we will calculate the percentage of all hospice days that were provided as inpatient days (General Inpatient Care (GIP) care and Respite care) from October 1, 2026, through September 30, 2027.

The hospice cap amount for the 2027 cap year is equal to the FY 2026 cap amount (\$35,361.44) updated by the FY 2026 hospice payment update percentage of 2.3 percent. As such, the FY 2027 cap amount is \$36,174.75.

Hospice Wage Index

The FY 2023 Hospice final rule finalized the application of a permanent 5-percent cap on any decrease to a geographic area's wage index from its wage index in the prior year, regardless of the circumstances causing the decline beginning in FY 2023. That is, we finalized that a geographic area's wage index for FY 2023 would not be less than 95 percent of its final wage index for FY 2022, regardless of whether the geographic area is part of an updated CBSA, and that for subsequent years, a geographic area's wage index would not be less than 95 percent of its wage index calculated in the prior FY.

On July 21, 2023, the Office of Management and Budget (OMB) issued Bulletin No. 23-01, which establishes revised delineations for the Micropolitan Statistical Areas (MSAs), Combined Statistical Areas, and Metropolitan Divisions, collectively referred to as Core Based Statistical Areas (CBSAs) and guidance on uses of the delineation in these areas. These revisions were incorporated into the hospice wage index for FY 2025.

For FY 2025, as a transition to help mitigate any significant negative impacts that hospices may experience due to the adoption of the revised OMB delineations, the permanent 5-percent cap on decreases was calculated on the county level as well as the CBSA level, so that individual counties moving to a new delineation would not experience more than a 5 percent decrease in wage index from the previous fiscal year. Due to the way that we calculated the 5-percent cap for counties that experienced an OMB designation change, some CBSAs and statewide rural areas could have had more than one wage index value because of the potential for their constituent counties to have different wage index values as a result of application of the 5-percent cap. However, for hospice claims processing, each CBSA or statewide rural area can have

only one wage index value assigned to that CBSA or statewide rural area. Therefore, hospices that serve beneficiaries in a county that receives the cap must use a number other than the CBSA or statewide rural area number to identify the county's appropriate wage index value for hospice claims. Beginning in FY 2025, counties that have a different wage index value than the CBSA or rural area into which they are designated after the application of the 5-percent cap must use a wage index transition code. These special codes are five digits in length and begin with "50." The 50xxx wage index transition codes are used only in specific counties; counties located in CBSAs and rural areas that do not correspond to a different transition wage index value will still use the CBSA number.

For FY 2027, the 5 percent cap on wage index decreases will continue to be calculated at the county level as well. While some counties that required a transition code for FY 2025 will continue to use the same transition code for FY 2027, other counties that required a transition code in FY 2025 and FY 2026 will no longer require a transition code in FY 2027. For these counties, the FY 2027 wage index of the CBSA or rural area that they are designated into has a wage index higher than 95 percent of their previous FY's wage index. Therefore, these counties will use the CBSA or rural county code of the area they were redesignated into based on OMB Bulletin No. 23-01. These counties are listed in Table 3 (attached). These special 50xxx codes are also shown in a separate tab in the FY 2027 hospice wage index file located at <https://www.cms.gov/medicare/payment/fee-for-service-providers/hospice/hospice-wage-index>.

The revised payment rates and wage index will be incorporated into the Hospice Pricer and forwarded to the Medicare contractors. The wage index will **not** be published in the Federal Register but will be available on the CMS website at <https://www.cms.gov/medicare/payment/fee-for-service-providers/hospice/hospice-wage-index>

Hospice Labor Shares

The FY 2022 Hospice final rule revised the labor shares used to wage-adjust hospice payments for each level of care. The revised labor share for Routine Home Care is 66.00 percent and corresponding the non-labor share is 34.00 percent. The revised labor share for Continuous Home Care is 75.20 percent and the corresponding non-labor share is 24.80 percent. The revised labor share for Inpatient Respite Care is 61.00 percent and the corresponding non-labor share is 39.00 percent. The revised labor share for General Inpatient Care is 63.50 percent and the corresponding non-labor share is 36.50 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	
14557.1	Medicare systems shall apply the FY 2027 rates for claims with dates of service on or after October 1, 2026, through September 30, 2027.					X				Hospice Pricer, PCS
14557.2	Contractors shall access the Hospice PPS Pricer via the Cloud to pay fiscal year 2027 payment rates on claims with “Through” dates on or after October 1,			X						Hospice Pricer, PCS

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	2026.									
14557.3	Medicare systems shall use a table of wage index values associated with Core Based Statistical Area (CBSA) codes or special 50xxx codes for FY 2027 hospice payment calculation.					X				Hospice Pricer, PCS
14557.3.1	The contractor shall instruct providers to submit the CBSA code or special 50xxx code, corresponding to the state and county where the hospice services were provided, on the hospice claim. The contractor shall instruct providers serving beneficiaries in areas where there is more than one unique CBSA due to the wage index cap policy, to use the special 50xxx codes to determine the appropriate code to report in place of the CBSA code.			X						
14557.3.2	The contractor shall accept CBSA codes in the 50xxx range as valid when reported with value codes 61 or G8 on hospice claims.					X				
14557.4	Contractors shall calculate hospices' aggregate cap amounts for the FY 2027 cap year, starting on October 1, 2026, and ending on September 30, 2027, based on the cap amount of \$36,174.75.			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 HHH

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:
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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