Illinois Health and Hospital Association

RULE SUMMARY

APRIL 2026

# MEDICARE SNF PPS PROPOSED RULE

## Overview and Resources

On April 2, 2026, the Centers for Medicare & Medicaid Services (CMS) released the federal fiscal year (FFY) 2027 proposed payment rule for the Skilled Nursing Facility (SNF) Prospective Payment System (PPS). The proposed rule reflects the annual updates to the Medicare fee-for-service (FFS) SNF payment rates and policies.

A copy of the proposed rule and other resources related to the SNF PPS are available on the CMS website.

An online version of the proposed rule is available here.

Program changes proposed by CMS would be effective for discharges on or after October 1, 2026, unless otherwise noted. CMS estimates the overall economic impact of this payment rate update to be an increase of $888 million in aggregate payments to SNFs in FFY 2027 over FFY 2026 and a reduction of $203.41 million due to the SNF Value-Based Purchasing (VBP) Program carve-out.

Comments on this proposed rule are due to CMS by June 1, 2026 and can be submitted electronically at http://www.regulations.gov by using the website's search feature to search for file code "CMS-1843-P".

## SNF Payment Rates

The tables below show the proposed urban and rural SNF Patient-Driven Payment Model (PDPM) federal per-diem payment rates for FFY 2027 compared to the rates currently in effect. These rates apply to hospital-based and freestanding SNFs, as well as payments made for non-Critical Access Hospital swing-bed services.

| Unadjusted Case-Mix Rate Component | | Urban SNFs | | |
|---|---|---|---|---|
| | | Final FFY 2026 | Proposed FFY 2027 | Percent Change |
| Nursing | Nursing | $132.00 | $134.99 | +2.27% |
| | Non-Therapy Ancillary (NTA) | $99.59 | $101.85 | |
| Therapy | Physical Therapy (PT) | $75.73 | $77.45 | |
| | Occupational Therapy (OT) | $70.49 | $72.09 | |
| | Speech-Language Pathology (SLP) | $28.28 | $28.92 | |
| Non-Case-Mix | | $118.21 | $120.89 | |

| Unadjusted Case-Mix Rate Component | | Rural SNFs | | |
|---|---|---|---|---|
| | | Final FFY 2026 | Proposed FFY 2027 | Percent Change |
| Nursing | Nursing | $126.12 | $128.98 | +2.27% |
| | Non-Therapy Ancillary (NTA) | $95.15 | $97.31 | |
| Therapy | Physical Therapy (PT) | $86.33 | $88.29 | |
| | Occupational Therapy (OT) | $79.29 | $81.09 | |

| | Speech-Language Pathology (SLP) | $35.63 | $36.44 | |
|---|---|---|---|---|
| Non-Case-Mix | | $120.40 | $123.13 | |

The table below provides details of the proposed updates to the SNF payment rates for FFY 2027.

| Proposed FFY 2027 Update Factor Component | SNF Rate Updates |
|---|---|
| Market Basket (MB) Update | +3.2% |
| Affordable Care Act (ACA)-Mandated Productivity Adjustment | -0.8 Percentage Points (PPTs) |
| Wage Index/Labor-Related Share Budget Neutrality | -0.13% |
| Net Rate Update | +2.27% |

## Wage Index, Labor-Related Share, and Revised CBSA Delineations

The wage index, which is used to adjust payments for differences in area wage levels, is applied to the portion of the SNF rates that CMS considers to be labor-related. CMS proposed to continue the use of the pre-floor, pre-reclassification inpatient PPS wage index. The labor-related share for FFY 2027 is proposed at 72.0%, an increase compared to 71.9% in FFY 2026.

CMS applies a 5% cap on any decrease to the SNF wage index, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner. This also means that if a SNF's prior FFY wage index is calculated with the application of the 5% cap, the following year's wage index will not be less than 95% of the SNF's capped wage index in the prior FFY. A new SNF is paid the wage index for the area in which it is geographically located for its first full or partial FFY with no cap applied, because a new SNF would not have a wage index in the prior FFY.

CMS did not propose a forecast error adjustment therefore no additional payment adjustment will be required.

CMS proposed a wage index and labor-related share budget neutrality factor of 0.9987 for FFY 2027 to ensure that aggregate payments made under the SNF PPS are not greater or less than would otherwise be made if wage adjustments had not changed. This includes the budget neutrality for the permanent 5% cap on SNF wage index decreases.

A complete list of the proposed wage indexes used for payment in FFY 2027 is available here.

CMS is soliciting comments on creating an SNF-specific wage index using alternative data sources, such as Bureau of Labor Statistics data or IRF cost reports, for potential use in future years.

## Case-Mix Adjustment

CMS uses the PDPM classification system to adjust payments to account for the relative resource utilization of different patient types. The case-mix components of the PDPM address costs associated with an individual's specific needs and characteristics, while the non-case-mix component addresses consistent costs that are incurred for all residents, such as room and board and various capital-related expenses. Under PDPM, patients are classified based on PT, OT, SLP, Nursing, and NTA. The case-mix adjusted PDPM payment rates for FFY 2027 are listed separately for urban and rural SNFs. These payments are added together with the non-case-mix component payment rate to create a resident's total SNF PPS per diem rate.

The proposed FFY 2027 PDPM updates for urban and rural providers are found in Tables 5 and B5, respectively, of the proposed rule. SNF VBP adjustments and variable per diem rates are not reflected in these tables.

For FFY 2027, CMS did not propose any substantive changes to the PDPM ICD-10 code mappings.

### Request for Information (RFI) – PDPM Case-Mix Creep

CMS has observed that average case-mix indexes have increased at a rate that exceeds what would be expected based solely on changes in patient health status, while median per-diem costs have declined. CMS is seeking public input on an approach to identify and address this case-mix creep in the following topic areas:

- *"The overall methodology for quantifying case-mix creep, including the conceptual framework that separates total case-mix change into real population health and utilization changes, real-time trends, and nominal changes.*
- *The data sources and measures used to assess real population health and utilization changes, including the use of pre-SNF inpatient claims and selected non-payment MDS items.*
- *The approach to estimating real-time trends using a study period spanning FY 2017 through FY 2024.*
- *Alternative approaches to implementing case-mix creep adjustments, including component-specific adjustments versus a system-wide adjustment factor.*
- *Any other considerations CMS should consider when finalizing a methodology to address case-mix creep in future rulemaking."*

### SNF VBP Program

CMS is required, under the Protecting Access to Medicare Act of 2014 (PAMA), to utilize a VBP program for SNFs through which value-based incentive payments are made to the SNFs. CMS withholds 2% of SNFs' FFS Part A Medicare payments to fund the program. CMS redistributes 60% of the withheld payments to SNFs as incentive payments based on the quality of care they provide to Medicare beneficiaries, as measured by a SNF readmission measure.

#### Measure Changes

CMS is not proposing additional measures for inclusion at this time. The previously adopted SNF VBP measures are shown in the table below:

| Previously Adopted SNF VBP Program Measures | | | | | |
|---|---|---|---|---|---|
| **Measure Name** | **Measure ID** | **FFY 2027 Program Year** | **FFY 2028 Program Year** | **FFY 2029 Program Year** | **FFY 2030 Program Year** |
| SNF 30-Day All-Cause Readmission Measure (RM) | SNFRM | Included | | | |
| SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization Measure | SNF HAI | Included | Included | Included | Included |
| Total Nurse Staffing Hours per Resident Day Measure | Total Nurse Staffing | Included | Included | Included | Included |

| | | | | | |
|---|---|---|---|---|---|
| Total Nurse Staff Turnover Measure | Nursing Staff Turnover | Included | Included | Included | Included |
| Discharge to Community (DTC)—Post-Acute Care Measure (PAC) for SNFs | DTC PAC SNF | Included | Included | Included | Included |
| Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay) Measure | Falls with Major Injury (Long-Stay) | Included | Included | Included | Included |
| Discharge (DC) Function Score for SNFs Measure | DC Function | Included | Included | Included | Included |
| Number of Hospitalizations per 1,000 Long Stay Resident Days Measure | Long Stay Hospitalizati on | Included | Included | Included | Included |
| SNF Within-Stay (WS) Potentially Preventable Readmissions (PPR) Measure | SNF WS PPR | | Included | Included | Included |

CMS proposed the following performance standards for the FFY 2029 and FFY 2030 program years):

| Estimated FFY 2029 SNF VBP Program Performance Standards | | |
|---|---|---|
| **Measure ID** | **Achievement Threshold** | **Benchmark** |
| SNF HAI Measure | 0.92183 | 0.94491 |
| Total Nurse Staffing Measure | 3.29119 | 5.87448 |
| Nurse Staff Turnover Measure | 0.42696 | 0.76652 |
| Falls with Major Injury (Long-Stay) Measure | 0.95455 | 0.99951 |
| Long Stay Hospitalization Measure | 0.99768 | 0.99963 |
| DC Function Measure | 0.41935 | 0.80879 |

| Estimated FFY 2030 SNF VBP Program Performance Standards | | |
|---|---|---|
| **Measure ID** | **Achievement Threshold** | **Benchmark** |
| DTC PAC SNF Measure | 0.43478 | 0.68049 |
| SNF WS PPR Measure | 0.86219 | 0.92400 |

Review and Correction Process: In the FFY 2026 SNF PPS final rule, CMS adopted a two-phase review and correction process that allows SNFs to review and request corrections to their performance data before it is publicly reported.

- Phase One: SNFs have 30 days after receiving quarterly reports to request corrections to measure results only. Corrections to underlying data must be made before the “snapshot date” to be reflected.

- Phase Two: SNFs have 30 days after receiving the Performance Score Report to request corrections to their performance score and ranking.

To maintain alignment with the proposed revisions to the SNF Quality Reporting Program's (QRP) submission deadline for Minimum Data Set (MDS) assessment data, CMS proposed updating the "snapshot date" used for the DC Function and Falls with Major Injury (Long Stay) measures beginning with data collected in FFY 2027. Currently, snapshot dates occur 4.5 months after the end of performance period. CMS proposes to redefine the "snapshot date" as the 15th day of the second month after the last day of the applicable baseline or performance period. If the snapshot date falls on a Friday, weekend, or Federal holiday, the deadline would be delayed until 11:59 p.m. EST on the next business day.

### Consolidated Billing

CMS requires SNFs to submit consolidated Medicare bills to their Medicare Administrative Contractor for services residents received during a covered Part A stay. A small list of services are currently excluded from consolidated billing and are separately billable under Part B when furnished to a SNF's Part A resident. This list is updated yearly and the latest list of excluded codes can be found on CMS' SNF Consolidated Billing website.

### SNF QRP

The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 mandates a quality reporting program for SNFs. The IMPACT Act requires a two PPT penalty to the standard market basket rate adjustment for those SNFs that fail to submit required quality data to CMS.

There are currently 15 adopted measures for the SNF QRP, which are listed below and in Table 12 of the proposed rule. CMS is not proposing any new measures.

| Domains and Measures Previously Adopted for the SNF QRP | |
|---|---|
| **Short Name** | **Measures** |
| Resident Assessment Instrument MDS Measures (Assessment-Based) | |
| Pressure Ulcer/Injury | Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury |
| Application of Falls | Application of Percent of Residents Experiencing One of More Falls with Major Injury (Long Stay) (NQF #0674) |
| Patient/Resident COVID–19 Vaccine | COVID–19 Vaccine: Percent of Patients/Residents Who Are Up to Date |
| Discharge Mobility Score | Application of IRF Functional Outcome Measure: Discharge Mobility Score for Medical Rehabilitation Patients (NQF #2636) |
| DC Function | Discharge Function Score |
| Discharge Self-Care Score | Application of IRF Functional Outcome Measure: Discharge Self-Care Score for Medical Rehabilitation Patients (NQF #2635) |
| DRR | Drug Regimen Review Conducted with Follow-Up for Identified Issues |
| TOH-Provider | Transfer of Health (TOH) Information to the Provider Post-Acute Care (PAC) |
| TOH-Patient | Transfer of Health Information to the Patient PAC |
| Claims-Based Measures | |
| MSPB SNF | Medicare Spending per Beneficiary (MSPB) |

| DTC | Discharge to Community |
|---|---|
| PPR | Potentially Preventable 30-Day Post Discharge Readmission Measure |
| SNF HAI | SNF Healthcare-Associated Infections (HAI) Requiring Hospitalization |
| National Healthcare Safety Network (NHSN) | |
| HCP COVID–19 Vaccine | COVID–19 Vaccination Coverage among Healthcare Personnel (HCP) |
| HCP Influenza Vaccine | Influenza Vaccination Coverage among HCP |

CMS proposed removing both the COVID–19 Vaccination Coverage among HCP measure and the COVID–19 Vaccine: Percent of Patients/Residents Who Are Up to Date measure beginning with the FFY 2028 SNF QRP, as CMS believes the costs and reporting burden of these measures now outweigh its benefits and seeks to align the SNF QRP with QRPs in other post-acute care settings.

CMS proposed ending the public display of COVID–19 Vaccination Coverage among HCP measure and the COVID–19 Vaccine: Percent of Patients/Residents Who Are Up to Date measure beginning with FFY 2028 SNF QRP. If finalized, both measures would be publicly reported for the last time in the October 2025 Care Compare refresh, based on data from 4Q 2025.

### SNF QRP Data Submission Deadlines

Beginning with the FFY 2029 IRF QRP, CMS proposed revising both the SNF MDS Assessment-Based Data Submission Deadline and the CDC NHSN Data Submission deadlines from the current 4.5-month deadline to approximately 45 days. Specifically, for both submission deadlines CMS proposed that SNFs must complete their data submissions and any corrections, if necessary, no later than the 15th day of the second month after the end of the calendar quarter. If the 15th day of the second month falls on a Friday, weekend, or Federal holiday, the deadline would be delayed until 11:59 p.m. EST on the next business day. Tables 13 and 14 of the proposed rule detail the proposed data collection timeframes and data submission deadlines for the FFY 2029 payment determination.

### Expanding MDS Data Submission to all SNF Residents Beginning with the FY 2031 SNF QRP

CMS proposed that SNFs submit MDS data on all SNF residents regardless of payer when all of the following four of the following criteria are met:

- "*When the resident is admitted to the SNF for covered skilled nursing services or skilled rehabilitation services, that is, services that must be performed by or under the supervision of professional or technical personnel (see MBPM §§ 30.2 through 30.4) and those services are ordered by a physician.*
- *The resident requires these skilled services on a daily basis (see MBPM § 30.6).*
- *As a practical matter, considering economy and efficiency, the daily skilled services can be provided only on an inpatient basis in a SNF (see MBPM § 30.7).*
- *The services delivered are reasonable and necessary for the treatment of a resident's illness or injury, that is, are consistent with the nature and severity of the individual's illness or injury, the individual's particular medical needs, and accepted standards of medical practice, and are reasonable in terms of duration and quantity."*

CMS proposed requiring SNFs to submit MDS assessments of all residents, regardless of payer source, rather than limiting reporting to Medicare FFS residents which would align SNFs with other CMS quality reporting programs. CMS believes that aligning the SNF QRP with the data submission practices of other CMS programs could promote higher quality more efficient healthcare for all residents through

standardization of data submission and support for the exchange of longitudinal information between SNFs and other providers. This policy is intended to expand the scope of the SNF QRP to better reflect the full SNF patient population. CMS acknowledges that expanding MDS data submission to all residents may increase the administrative burden on SNFs and may require addition staff time, training, and system adjustment. CMS also clarifies that non-Medicare FFS data would not be used for quality measurement.

Under this proposal, CMS also clarifies that MDS data submission would be based on whether residents receive skilled services, defined as services ordered by a physician, required daily, provided by or under professional supervision. These services must also be reasonable and necessary for the treatment of the resident's condition and typically require an inpatient SNF setting.

### RFI – SNF QRP Quality Measure Concepts under Consideration for Future Years

CMS is seeking input on the importance, relevance, appropriateness, and applicability of the quality measure concepts related to advanced care planning, a continuous process that supports people in understanding and communicating their goals, values, and preferences regarding future medical decisions. CMS is also seeking input on the relevant aspects of advanced care planning and measures appropriate for the SNF setting.

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