TIBER CREEK GROUP

5 Things to Know About CMS' FY2027 Inpatient Prospective Payment System (PPS) Final Rule

CMS Fact Sheet / *Text of Final Rule* / *CJR-X Press Release*

1. **CMS increased payment rates** for both inpatient hospitals and long-term care hospitals (LTCH) by 2.3%, slightly lower than the 2.4% proposed earlier this year. Last year, inpatient hospitals and LTCHs received a pay boost of 2.6%.

2. **CMS finalized the Comprehensive Care for Joint Replacement Expanded Model (CJR-X),** marking the first mandatory nationwide model testing episode-based payment. Under CJR-X, starting January 1, 2028, hospitals will be assessed for the total cost of a lower-extremity joint replacement, including physical therapy and follow-up appointments. Based on their spending against a target price, hospitals will either receive an additional payment or be required to repay a portion of spending. Most acute care hospitals will be required to participate. Some hospital stakeholders are concerned a mandatory payment model could reduce flexibility for hospitals, but CMS pointed to the successful predecessor model, CJR, which maintained quality of care while saving Medicare over $100 million by providing hospitals the "right financial incentives to enhance care coordination."

3. **The agency eliminated the alternative pathways to supplemental payment** for Food and Drug Administration (FDA)-designated Breakthrough Devices under both the IPPS and the Outpatient PPS, grandfathering in devices already approved for the New Technology Add-on Payment (NTAP) or the Transitional Pass-Through Payment (TPTP), and those designated as Breakthrough Devices by September 30, 2026. The decision comes as the FDA prepares to finalize the RAPID Pathway, intended to accelerate Medicare patients' access to new Breakthrough Devices.

4. **Medicare Advantage (MA) patients will be included in certain hospital quality measures** starting with the FY2028 payment determination. MA patients will be added to three measures on excess days in acute care after certain hospitalizations and to five measures on 30-day mortality after certain hospitalizations or surgeries. CMS says adding MA patients to these measures reflects the growing proportion of Medicare beneficiaries enrolled in MA and will better indicate patient care coordination and improve measure reliability.

5. **CMS finalized several changes to the Medicare Promoting Interoperability Program,** and also finalized a series of standards and other provisions originally proposed by the HHS Office of the National Coordinator for Health Information Technology in the 2026 CMS Interoperability Standards and Prior Authorization for Drugs proposed rule. These changes reflect CMS' continued focus on health tech and interoperability, also showcased during CMS' one-year celebration event on the Health Technology Ecosystem initiative.