



## **FY 2027 Inpatient Psychiatric Facilities Prospective Payment System Proposed Rule**

On April 2, the Centers for Medicare and Medicaid Services (CMS) issued a [proposed rule](#) to update prospective payment rates for Inpatient Psychiatric Facilities (IPF) Prospective Payment System (PPS) for fiscal year (FY) 2027. Please find CMS' fact sheet [here](#).

Please share any questions or concerns with Alexa Abel ([amckinley@ruralhealth.us](mailto:amckinley@ruralhealth.us)) before the **June 1, 2026**, comment deadline. Comments should be submitted via [regulations.gov](https://www.regulations.gov).

### **Major proposals include:**

*Payment.* CMS is proposing to **update the IPF rate by 2.3%, or \$50 million**, in FY 2027. CMS is continuing its 18% payment adjustment for IPFs located in rural areas, which was updated in FY 2026 to better reflect cost differences between rural and urban facilities.

In the FY 2025, some IPFs lost eligibility for rural payments because their counties changed from rural to urban under updated OMB geographic delineations. In the FY 2025 IPF PPS final rule, CMS implemented a 3-year phase-out of the rural adjustment for IPFs located in a county that transitioned to urban. In FY 2026, these IPFs received 1/3 of the rural adjustment and in FY 2027 IPFs will not receive any rural adjustment.

Additionally, CMS proposes to cap outlier payments at 20% of total IPF PPS payments per facility, citing concerns about increasing concentration of outlier payments among a small number of providers. Outlier payments are an additional payment beyond the federal payment amount for cases with unusually high costs.

*Reporting.* CMS proposes updates to the IPF Quality Reporting Program (QRP). Specifically, CMS proposes to remove the Alcohol Use Brief Intervention Provided or Offered (SUB-2/2a), and the Tobacco Use Treatment Provided or Offered at Discharge (TOB-3/3a) measures. CMS estimates these changes will result in a net increase in reporting costs of approximately \$7.2 million for facilities.

The proposed rule also includes discussion of ongoing data collection and future payment methodology refinements, building on requirements from the Consolidates Appropriations Act of 2023 to inform longer-term updates to the IPF system.

CMS proposes implementing a standardized IPF patient assessment instrument (IPF-PAI), as required by the Consolidated Appropriations Act of 2023. This instrument is intended to improve data collection and comparability across facilities.