

CAPITOL STREET

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2027 For Profit Psych Proposed Pay: +1.6%

Inline Payment; No Payment Reform or FWA Policies Proposed

Relevant Companies



»» Our Take & Next Up

The proposed 2027 Inpatient Psychiatric Facilities (IPF) rule would provide a +1.6% increase for urban freestanding for-profits. Rural freestanding for-profit hospitals would experience a +2.1% increase. See highlights of the payment rule below. The CMS rule, released April 2, can be found [here](#). New pay starts Oct 1, 2026 (the start of FY27).

»» Key Points

The overall Medicare payment update for all IPFs in 2027 would be +2.1% (all facilities). This is based on the 2021-based IPF market basket increase of 3.1%, reduced by a 0.8% point productivity adjustment. CMS is updating the outlier threshold so that estimated outlier payments remain at 2.0% of total payments. Total estimated payments to IPFs are estimated to increase by \$50 M in 2027 relative to IPF payments in 2026.

CMS is proposing a new facility-level cap on outlier payments, limiting them to no more than 20% of a facility's total annual IPF PPS payments. CMS found that some facilities report unusually high costs and receive outlier payments on many claims. According to the agency, these high costs are mostly driven by fixed routine expenses that don't change from patient to patient, such as staffing, real estate, and overhead. The agency is also seeking comments on alternatives, including whether a different cap would be more appropriate or whether the limit should apply only to facilities that meet a minimum volume of stays.

CMS proposes several updates to the IPF Quality Reporting Program. Starting with the 2026 reporting year (affecting 2028 payments), CMS is proposing to drop two measures: alcohol use brief intervention and tobacco use treatment at discharge. The agency also plans to roll out the IPF-PAI (standardized patient assessment instrument), required by statute. Facilities can submit data through a CMS web app or via APIs using the FHIR standard (first CMS quality program to use FHIR for patient assessment data). The proposed IPF-PAI would collect standardized data in five statutory categories:

- Functional status
- Cognitive function and mental status
- Special services/treatment interventions
- Medical condition/comorbidities

- Impairments

CMS proposes to maintain the current IPF wage index methodology (based on IPPS hospital data) and continue existing facility-level adjustments for rural location, teaching status, and ED (emergency department) designation for FY 2027. The rule also updates Alaska and Hawaii COLAs (cost of living adjustments) using Department of Defense data, ensuring payments better reflect higher local cost-of-living.

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