



# Medicare SNF PPS Proposed Rule Impact Analysis

Federal Fiscal Year 2027 | Version 1

## Analysis Description

The federal fiscal year (FFY) 2027 Medicare Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Proposed Rule Impact Analysis is intended to show providers how Medicare SNF PPS payments may change from FFY 2026 to FFY 2027 based on the policies set forth in the FFY 2027 SNF PPS proposed rule.

### FFY 2027 SNF PPS Proposed Rule Changes Modeled in This Analysis:

- Market Basket Update: 3.2% increase to account for cost increases in the services furnished by providers.
- ACA-Mandated Productivity Adjustment: -0.8 percentage point (PPT) productivity adjustment to the market basket authorized by the Affordable Care Act (ACA) of 2010.
- Wage Index and All Other Budget Neutrality: Includes the budget neutrality factor of 0.9987 due to changes in the wage index and labor-related share, the budget neutrality adjustment tied to the 5% cap on wage index decreases, and all other budget neutrality adjustments not otherwise noted.
- Wage Index and Labor-Related Share Impact: Updated wage index values are based on the FFY 2026 IPPS final rule wage indexes excluding occupational mix, rural floor, reclassifications, or outmigration adjustments. This impact includes the impact of new wage data, the increase of the labor-share from 71.9% for FFY 2026 to 72.0% for FFY 2027, and the application of the 5% cap on any reduction of a SNF's FFY 2027 wage index from the FFY 2026 wage index, the value of which is broken out separately.
- SNF Value-based Purchasing (VBP) Year-Over-Year Adjustment: Year-over-year change in provider-specific SNF VBP performance.

The values shown in the impact table do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress to end in FFY 2033. The estimated sequestration reduction applicable to SNF PPS-specific payment for FFY 2027 has been calculated separately and is provided at the bottom of the impact table.

The Centers for Medicare and Medicaid Services provides a SNF PDPM Grouper Tool as well as other resources to assist SNFs in understanding the process by which SNF residents will be classified into PDPM payment on their website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPSP/therapyresearch.html>.

## Data Sources

SNF PPS payments for FFY 2026 are based on FFY 2024 SNF claims sourced from the calendar years (CY) 2023-2024 SNF Standard Analytical Files Limited Dataset (SAF LDS) 100% claims data. SNF PPS payments for FFY 2026 are calculated by applying all update factors to the FFY 2024 totals. Wage indexes, labor shares, and the per-diem payment rates are from the FFY 2026 SNF PPS final rule and FFY 2027 SNF PPS proposed rule. SNF VBP

adjustments are from the final FFY 2026 SNF VBP performance from Nursing Home Compare and are held constant for FFY 2027.

The list of SNFs included in the analysis are limited to those SNFs with data in the FFY 2024 SNF SAF LDS claims data.

## Methods

The dollar impact of each component change has been calculated by first estimating FFY 2026 payments based on total revenue from the FFY 2024 SNF SAF LDS claims data. Then, each adopted change to the SNF PPS rate components is calculated and applied to estimated FFY 2026 payments. The impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the change due to the market basket is applied to total FFY 2026 payments, then the ACA-mandated productivity reduction is applied to the result of the prior change, etc. Lastly, estimated SNF VBP incentive multipliers are applied to the calculated payments in order to estimate FFY 2027 payments.

This analysis does not include impact estimates for payments under Medicare Managed Care, or any modifications to FFS payments as a result of SNF participation in new payment models being tested under Medicare demonstration/pilot programs.

Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.

Individual percentages and dollars shown in this analysis may not add to total due to compounding and rounding. Dollar amounts less than \$50 and percentages less than 0.05% will appear as zeros due to rounding.