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Inpatient Prospective Payment System (IPPS) 2026 Proposed Rule
Summary of Issues Impacting Radiation Oncology

On April 11, 2025, the Centers for Medicare and Medicaid Services (CMS) issued the Inpatient Prospective Payment System (IPPS) proposed rule. The proposed rule updates Medicare reimbursement under IPPS for general acute care hospitals that successfully participate in the Hospital Inpatient Quality Reporting (IQR) program and use electronic health record (EHR) per the requirements of the Medicare Promoting Interoperability Program by 2.4% (a 3.2% market basket update with a -0.8% productivity adjustment).

Why it matters: While radiation therapy reimbursement is typically tied to the Medicare Physician Fee Schedule (MPFS) or the Hospital Outpatient Prospective Payment System (HOPPS), the IPPS proposed rule often includes items of interest to radiation oncology related to new technologies and quality reporting. It also provides a preview of policy proposals, which may appear in the MPFS and HOPPS proposed rules, which will be issued this summer.

Items of interest in the 2026 IPPS proposed rule include:

- New Technology Add-On Payments (NTAP) for New Services and Technologies
- Proposed Changes to Specific MS-DRG Classifications
- Proposed Discontinuation of the Low-Wage Hospital Policy
- End of Medicare-Dependent, Small Rural Hospital Designation
- Proposed Changes to the PPS-Exempt Cancer Hospital Quality Reporting (PCHQR) Program
- Proposed Update to the IPPS Labor-Related Share
- Hospital Readmission Reduction Program
- Hospital Inpatient Quality Reporting (IQR) Program
- Medicare Promoting Interoperability Program

Go deeper on the proposed rule below.

New Technology Add-On Payments (NTAP) for New Services and Technologies
Each year in the IPPS proposed rule, CMS presents its evaluation and analysis of New Technology Add-on Payment (NTAP) applications. The Agency does not issue application decisions in the rule but rather describes any concerns it may have regarding whether a technology meets the criteria for payment as a new technology, and it seeks additional information as needed for use in decision making that will appear in the IPPS final rule.

A new medical service or technology may be considered for NTAP if the diagnosis related group prospective payment rate is inadequate based on the estimated costs incurred with respect to services delivered involving a new medical service or technology. To secure a new technology add-on payment, the new medical service or technology must demonstrate that it is 1) new; 2) costly such that the applicable DRG rate is inadequate; and 3) represents a substantial clinical improvement over existing services or technologies.

For FY 2026, 19 NTAP applications were received. There were no NTAPs directly related to radiation oncology, but the following are of interest to cancer care, generally:

- *AUCATZYL® (obecabtagene autoleucel)*
- *BREYANZI® (lisocabtagene maraleucel)*
- *IMDELLTRA™ (tarlatamab-dlle)*
- *TECELRA® (afamitresgene autoleucel)*
- *ZIIHERA® (zanidatamab-hrii)*

Proposed discontinuation of technologies approved for FY 2025 NTAPs no longer considered new for FY 2026 because 3-year anniversary date will occur prior to April 1, 2026

Technology	Newness Start Date	NTAP Start Date	3-Year Anniversary Date of Entry into U.S. Market	Previous Final Rule Citations
TECVAYLI™ (teclistamab-cqyv) ELREXFIO™ (elranatamab-bcmm) and TALVEY™ (talquetamabtgvs	11/09/2022	10/01/2023 10/01/2024	11/09/2025	88 FR 58885 through 58891 89 FR 69120 through 69126 89 FR 69149 through 69155

Proposed Changes to Specific MS-DRG Classifications
CMS proposes to add the following ICD-10-PCS procedure codes to the "Chemotherapy Implant" logic list in MS-DRGs 023 (craniotomy with major device implant or acute complex cns pdx with mcc or chemotherapy implant or epilepsy with neurostimulator) and 024 (craniotomy with major device implant or acute complex cns pdx without mcc):

- 00H001Z: Insertion of radioactive element into brain, open approach
- 00H005Z: Insertion of radioactive element, palladium-103 collagen implant into brain, open approach
- 00H031Z: Insertion of radioactive element into brain, percutaneous approach
- 00H041Z: Insertion of radioactive element into brain, percutaneous endoscopic approach

These procedures are used to deliver targeted, high-dose radiation directly to brain tumors, such as in cases of recurrent brain metastases or aggressive brain cancers. These codes would be added for FY 2026, effective October 1, 2025, and the description of the logic list will change from "Chemotherapy Implant" to "Antineoplastic Implant" for clarity and consistency.

Proposed Discontinuation of the Low-Wage Hospital Policy
In the 2020 IPPS Final Rule, CMS adopted a policy to increase the wage index values for certain hospitals with low wage index values (below the 25th percentile) and decrease the wage index values for hospitals above the 75th percentile (to maintain budget neutrality). At the time, CMS indicated the policy would be effective for at least four years, beginning in FY 2020, so that

employee compensation increases implemented by these hospitals would have time to be reflected in the wage index calculation.

However, in July 2024, the D.C. Circuit Court of Appeals ruled that the Secretary of Health and Human Services (HHS) lacked the authority to adopt this policy for FY 2020, and that the policy must be vacated.[1] The Agency then recalculated the FY 2025 IPPS hospital wage index to remove the low wage index policy for 2025 and established a transition policy for hospitals significantly impacted by the change.

For 2026, due to the Court's decision, CMS is proposing to discontinue the low wage index hospital policy and to adopt a narrow transitional exception for low wage index hospitals significantly impacted by the discontinuation of the policy.

End of Medicare-Dependent, Small Rural Hospital Designation
Payments to most hospitals under the IPPS are made on the basis of the standardized amounts, but some categories of hospitals are paid in whole or in part based on their hospital-specific rate, which is determined from their costs in a base year. A Medicare-dependent, small rural hospital (MDH) is one such category, and is defined as a hospital that is located in a rural area (or, as amended by the Bipartisan Budget Act of 2018, a hospital located in a state with no rural area that meets certain statutory criteria), has not more than 100 beds, is not a sole community hospital, and has a high percentage of Medicare discharges (not less than 60% of its inpatient days or discharges in its cost reporting year beginning in FY 1987 or in two of its three most recently settled Medicare cost reporting years).

For discharges occurring on or after October 1, 2007, but before October 1, 2025, an MDH receives the higher of the Federal rate or the Federal rate plus 75% of the amount by which the Federal rate is exceeded by the highest of its FY 1982, FY 1987, or FY 2002 hospital-specific rate. MDHs are a major source of care for Medicare beneficiaries in their respective areas.

Under current law, the MDH program is effective through September 30, 2025. Since there is no statutory authority to extend the program, beginning October 1, 2025, all MDH hospitals will no longer have such status and will be paid based on the IPPS Federal rate.

Proposed Changes to the PPS-Exempt Cancer Hospital Quality Reporting (PCHQR) Program
The PCHQR Program is a quality reporting program for the eleven cancer hospitals that are statutorily exempt from the IPPS. For 2026, CMS is proposing the following for PCHQRs:

- Update and codify the Extraordinary Circumstances Exceptions (ECE) policy to clarify that CMS has the discretion to grant an extension in response to ECE requests.
- Remove the Hospital Commitment to Health Equity, beginning with the CY 2024 reporting period/FY 2026 program year.
- Remove the Screening for Social Drivers of Health and Screen Positive Rate for Social Drivers of Health measures, beginning with the CY 2024 reporting period/FY 2026 payment determination.

[1] *Bridgeport Hosp. v. Becerra*, 108 F.4th 882, 88791 & n.6 (D.C. Cir. 2024)

- Modify the public reporting requirements to allow for public reporting of PCHQR Program on Care Compare or a successor website in addition to current publication in the Provider Data Catalog.

Proposed Update to the IPPS Labor-Related Share
CMS is proposing to rebase and revise the 2018-based IPPS market basket to reflect a 2023 base year. Using the 2023 market basket, the Agency calculated a labor-related share of 66.0%, which it proposes to use for discharges occurring on or after October 1, 2025. The labor-related share represents the portion of the hospital's operating payment that is adjusted to reflect local wage and labor costs. This proposal would be 1.6% lower than the current labor-related share of 67.6%.

Hospital Readmission Reduction Program
The Hospital Readmissions Reduction Program requires a reduction to a hospital's base operating diagnosis-related group (DRG) payment to account for excess readmissions of selected conditions. For 2026, CMS is proposing the following policies related to the program:

- Refine all six readmission measures to add Medicare Advantage patient cohort data;
- Remove the COVID-19 diagnosed patients measure denominator exclusion from all six readmission measures, beginning with the FY 2026 program year;
- Reduce the applicable period from 3-years to 2-years, and update codified regulation language;
- Modify the diagnosis-related group (DRG) payment ratios in the payment adjustment formula to include MA beneficiaries; and
- Update and codify the ECE policy to clarify that CMS has the discretion to grant an extension in response to an ECE request from a hospital.

Hospital Inpatient Quality Reporting (IQR) Program
Hospitals are required to report data on measures selected by CMS for a fiscal year in order to receive the full annual percentage increase. For 2026, the Agency is proposing to refine four measures that are associated with clinical procedures and remove four measures that focus on COVID-19, health equity, and social determinants of health. Additionally, the Agency is seeking comments on measure concepts related to well-being and nutrition for future consideration, as well as on the path forward for digital quality measurement and use of Fast Healthcare Interoperability Resources (FHIR).

Medicare Promoting Interoperability Program
CMS is proposing the following changes to the Medicare Promoting Interoperability Program:

(1) To amend the definition of "EHR reporting period for a payment adjustment year" at 42 CFR 495.4 for eligible hospitals and CAHs participating in the Medicare Promoting Interoperability Program to define the EHR reporting period in CY 2026 and subsequent years as a minimum of any continuous 180-day period within that calendar year;
(2) To modify the Security Risk Analysis measure to require eligible hospitals and CAHs to attest "yes" to having conducted security risk management in addition to the existing measure requirement to attest "yes" to having conducted security risk analysis, beginning with the EHR reporting period in CY 2026;

(3) To modify the SAFER Guides measure by requiring eligible hospitals and CAHs to attest "yes" to completing an annual self-assessment using the eight SAFER Guides published in January 2025, beginning with the EHR reporting period in CY 2026; and
(4) To add an optional bonus measure to the Public Health and Clinical Data Exchange objective for eligible hospitals and CAHs that submit health information to a public health agency (PHA) using the Trusted Exchange Framework and Common Agreement TM (TEFCA), and consistent with other measure requirements, beginning with the EHR reporting period in CY 2026.

The proposed rule can be downloaded from the Federal Register at:
https://www.federalregister.gov/public-inspection/2025-06271/medicare-program-hospital-inpatient-prospective-payment-systems-for-acute-care-hospitals-and-the

For a fact sheet on the proposed rule, please visit:
https://www.cms.gov/newsroom/fact-sheets/fy-2026-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care-hospital-prospective

The press release for the proposed rule can be found at the following link:
https://www.cms.gov/newsroom/press-releases/cms-seeks-public-input-inpatient-hospital-whole-person-care-proposes-updates-medicare-payments