

# Proposed Changes to the CMS Transforming Episode Accountability Model (TEAM) in the FY2026 IPPS Proposed Rule



CMS released its FY2026 Inpatient Prospective Payment System (IPPS) proposed rule on April 10, 2025. The rule includes proposed changes to the CMS Transforming Episode Accountability Model (TEAM). Many of the proposed changes are technical corrections that will have relatively little impact on participating hospitals. However, there are several important changes, which we summarize below.

## 1. Risk Adjustment Model Updated with HCC Model V28

The TEAM risk adjustment model is updated from Hierarchical Condition Category (HCC) Version 22 to HCC Version 28. V28 is based on ICD-10 and has expanded the number of HCCs that can be included in the TEAM risk models. In addition, the rule has extended the lookback period for capturing HCCs from 90 to 180 days. Altogether, these features should improve model accuracy. The updated variables for the TEAM risk adjustment model can be found [here](#).

► **Why it's Important.** Although the changes will be budget neutral overall, they will result in higher risk scores for certain hospitals and lower scores for others. This will directly affect target prices and gains and losses under TEAM. We will model these changes in order to identify the impact on individual hospitals.

## 2. New Patient-Reported Outcome-based Performance Measure

The proposed rule adds a new quality measure, *Information Transfer Patient Reported Outcome-based Performance Measure*, for outpatient surgery. This nine-item survey is administered after the surgery to assess the clarity of post-surgery instructions. This enhances the model's ability to assess quality from the patient's perspective. Implementation/adoption for hospitals might be challenging.

► **Why it's Important.** This change shows CMS' ongoing commitment to patient-reported outcome measures. The information transfer measure is general and can be used with any outpatient or ambulatory surgery, allowing it to be applied to future surgeries if the TEAM model expands. However, there are not well-established methods for collecting this type of survey-based measure, putting pressure on hospitals to hire vendors or incorporate data collection into post-surgical workflows.

### 3. Health Equity and Social Needs Reporting

The proposed rule removes the voluntary reporting of health equity plans and the option to voluntarily report health-related social needs (HRSN) data.

- ▶ **Why it's Important.** This change reflects the current Administration's shift away from incorporating health equity provisions in alternative payment models. The practical impact of this change is limited because CMS made health equity plans and HRSN data collection optional in the FY2025 final rule.

### 4. Updating Target Price Construction for Coding Changes

The proposed rule provides a methodology for adjusting target prices when changes in the definition of DRG and HCPCS codes occur between the baseline and performance period. The proposed process, which remaps baseline period DRGs and HCPCS codes into the applicable codes for the performance period and adjusts the performance period target prices, is similar to that used by CMS in its Bundled Payment for Care Improvement (BPCI) model.

- ▶ **Why it's Important.** The proposed process ensures that there is not a drop in episode volume due to changes in the underlying codes. It also creates target prices for DRGs and HCPCS codes that did not exist in the baseline period. This is particularly relevant for Spinal Fusion where, as of October 1, 2024, three MS-DRGs were deleted (453-455), eight new MS-DRGs were added (402, 426-430, 447-448), and two were renamed (from 459-460 to 450-451).

### 5. Prospective Trend Factor Calculation Changes

The proposed rule includes a new methodology for calculating the prospective trend factors to update TEAM episode target prices from the baseline period to the performance period. The original methodology simply calculated the trend for each DRG between baseline year (BY)1 and BY3 and applied this trend between BY3 and the performance year. The new method uses five years of historical data and calculates the annual change using a log-linear regression model. The proposed changes are expected to result in a more reliable prospective trend factor.

- ▶ **Why it's Important.** A more reliable and accurate prospective trend factor reduces the likelihood of large retrospective trend adjustments which could result in unanticipated changes in the financial performance of model participants.

Source: CMS 2026 IPPS Proposed Rule, <https://public-inspection.federalregister.gov/2025-06271.pdf>. Accessed 4/28/25.