



## Don't Place Your Bets Yet: CMS Preliminary TEAM Target Prices Are Going to Change

At the end of May 2025, CMS sent several reports to hospitals mandated to participate in the Transforming Episode Accountability Model (TEAM):

### 1. Hospital-specific Preliminary Target Price Estimate Report

This report provides each hospital's target price at the DRG-episode level. It also illustrates how the target price is built up from regional average prices.

### 2. Baseline Summary Report

This report provides historical average hospital spending for each DRG episode broken out into the following categories: IP, OP, SNF, HH, HS, Part B and All. These spending categories are further split into Total, Anchor period, and Post-Anchor period. The report also compares the hospital spending to regional spending for each DRG episode. Here the level of detail is just Total, Anchor and Post-Anchor. It provides additional information about episode exclusions and winsorization (e.g. truncation points for each episode).

### 3. DRG-level Regional Target Price and Spending Summary

This report shows the buildup of the regional average prices. It also provides the coefficients for the TEAM risk adjustment model.

**Don't spend too much time on these reports because the target prices will change.**

The reports start with disclaimers: 1) "The goal of this preliminary data is to help TEAM participants get acclimated to the types of data and reports that will be shared in TEAM" and 2) The final TEAM methodology will be specified in the FY2026 IPPS Final Rule so that "the data presented in this report may change when CMS delivers the PY1 preliminary target price reports tentatively in Fall 2025." We recommend you use these reports with caution.

It's a good thing that CMS is sharing an early version of the reports because let's face it, they are really complicated, and not very intuitive even if you have already participated in other CMS bundled payment programs. They also lack important information you would expect in this type of summary report. For example, the reports bundle all hospital spending into a single category that includes the index admission, inpatient rehabilitation, long-term acute care, and readmission spending – all in a single number. You'll need to analyze the claims data yourself if you want to get more specific.

Another challenging aspect of the reports is that the spending data and the target price data are based on different time periods. Target prices include a prospective trend factor and are shown in calendar year 2026 dollars. Hospital episode "scaled" spending reflects FY2025 DRG rates and CY2025 APC rates. So, there is no way to compare your hospital's target price to its actual spending to determine where you need to improve to get to a financial breakeven.

Also important, the reports use incomplete baseline data and fail to include some changes from the proposed FY 2026 IPPS rule published in April. Specifically:

1. The target prices in this report are based on data from January 1, 2022, through June 30, 2024, and lack the final six months of 2024. That guarantees that the prices will change when CMS uses complete baseline data.
2. The proposed FY2026 IPPS rule updated the method for calculating the prospective trend factor to improve its accuracy. But the CMS reports use the old method which is a simple historical 2022 – 2024 annualized rate of increase.

### **We're left asking ourselves "what are hospitals supposed to do with these reports?"**

They don't provide much insight into whether your hospital is in a good position to succeed in the model or where your spending is high or low relative to your region or your competition.

The one thing they help with is understanding exactly how CMS calculates the target prices. But hospitals are going to spend hours pouring over this information and spending a lot of that time being confused. Why are the reports structured like this? Because that's the way they were in the last bundle program. You would think with the millions of dollars CMS spends on contractors to administer this program they could come up with reporting that's more intuitive and insightful.