Hospital DPP (HDPP) & Health ImProvement (HIP) DPP

Department of Community Health

June 2026 | SFY2027 CMS Submission Overview

Provider Assessment Changes

Georgia Department of Community Health

Overview of SFY 2026 changes to the provider assessment for private hospitals. Important: As long as the provider fee tax waiver remains unchanged, program payments for all private hospital DPPs (HDPP Private, HIP Private, Rural OB Private, and STRONG Private) will continue as currently structured, pending CMS review and approval.

	DPP Assessment Structure	
	Previous Structure	**New Structure Beginning SFY 2026**
Tax Basis	Inpatient Net Patient Revenue	Non-Medicare Bed Days
Rate	Uniform - One Rate	Non-Uniform – Class specific Per-Diem Rates Provider classes include Free-Standing Pediatric General Acute Hospitals, Private PPS Hospitals, Private PPS Teaching Hospitals, Private PPS Rural OB Hospitals
Hospitals Subject to Tax	<u>Private, excluding:</u> • Critical access hospitals • General cancer hospitals • Rehabilitative hospitals • Psychiatric hospitals • Long-term acute hospitals • Rural emergency hospitals • Free-standing children's hospitals	<u>Private, excluding:</u> • Critical access hospitals • General cancer hospitals • Rehabilitative hospitals • Psychiatric hospitals • Long-term acute hospitals • Rural emergency hospitals • Geriatric psychiatric hospitals
Federal Waiver Type	Broad Based (P1/P2 Test)	Broad Based and Uniformity (B1/B2 Test)

Private Assessment Classes

Per Non-Medicare Bed Day rates by hospital class (SFY 2026). Payments for all private hospital DPPs continue as-is, pending CMS review, as long as the provider fee tax waiver is unchanged.

Hospital Class	Total Per Non-Medicare Day (Max Assessment)
Free-Standing Pediatric General Acute Hospitals	**$662.99**
Private PPS Hospitals	**$904.78**
Private PPS Teaching Hospitals	**$754.64**
Rural OB Hospitals	**$195.48**
Private Geriatric Psychiatric Hospitals	**$49.01**
B1/B2 Uniformity Test Result	**1.09444**

SFY 2027
Proposed Directed Payment Programs

SFY 2027 Financial Modeling – Underlying Data Used for HDPP & HIP

Georgia Department of Community Health

Program Background

The non-federal share for all private hospital directed payment programs — including HDPP Private, HIP Private, Rural OB Private, STRONG, and HIP — is funded through an approved provider fee tax waiver. Assuming the tax waiver remains unchanged, DCH will be able to continue paying directed payments for private hospitals up to the Average Commercial Rate (ACR).

Data Assumptions

SFY 2027 data inputs:

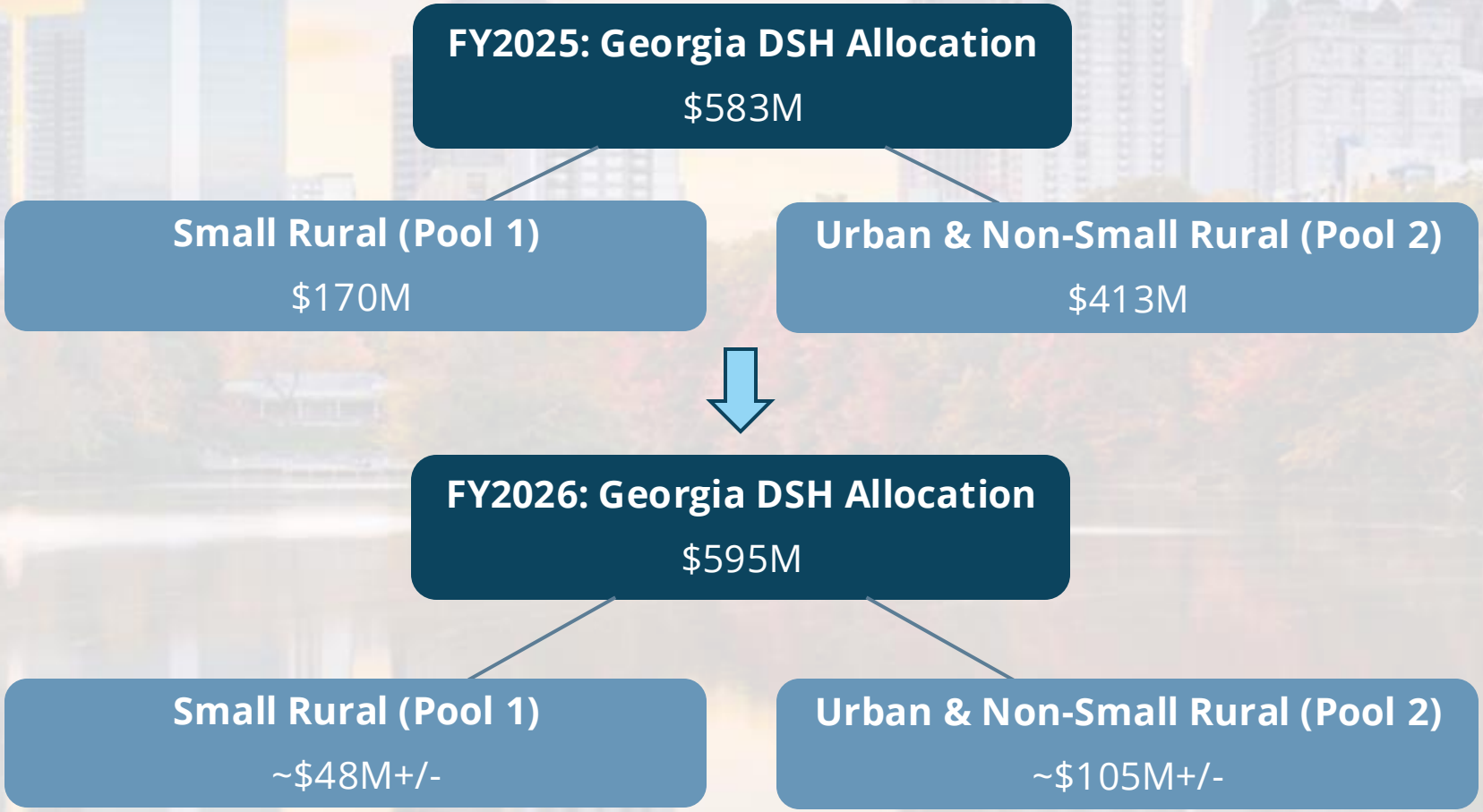
- 1. CY 2023 Average Commercial Rate (ACR) – Payment ceiling benchmark. Methodology unchanged from SFY 2026.

- 2. SFY 2024 Medicaid CMO Base Payments – Actual SFY 2024 CMO payment data used for provider-level payments. Medicaid annual trend is 1.4% and 0.4%, or 4.26% and 1.20% (3-year trend for applicable rating period) for inpatient and outpatient hospital services, respectively. Actual trend from SFY24 to SFY25 based on CMO submitted Medicaid eligible payments and for SFY25 to SFY27, the trends for capitation rate development is used.

- 3. SFY 2024 HDPP Add-Ons for Medicare Equivalent – Derived from Hospital UPL data (difference between Medicaid and Medicare rates). Used to set the Medicare equivalent for HDPP.
  - IP add-on: 26.43% (freestanding Children's hospitals), 66.43% (small rural hospitals), 76.43% (non-small rural hospitals)
  - OP add-on: 4.51% (freestanding Children's hospitals), 24.51% (small rural hospitals), 34.51% (non-small rural hospitals)

DSH Impacts

Disproportionate Share Hospital (DSH) Impact:



Outcome: Newly approved State Directed Payment Program (DPP) expenditures impact the available room within the aggregate DSH limit preventing the full distribution of the 2026 DSH allocation.

Disproportionate Share Hospital (DSH) Update

Georgia Department of Community Health

DPP Growth Impact on DSH Eligibility

The significant growth in DPP payments (from approximately $1.7B in SFY 2025 to $4.3B in SFY 2026) has caused more hospitals to reach their Hospital Specific Limit (HSL) and become ineligible for DSH. As a result, Georgia has been unable to fully utilize its DSH allotment ($365M unallotted). In total, 37 hospitals will have a positive SFY2026 DSH payments – 28 DSH Pool 1 and 9 DSH Pool 2 hospitals.

DSH Pool 2 Allocation Methodology Update

Prior Methodology: Pool 2 hospitals were capped at 75% of their Hospital Specific Limit (HSL).
Updated Methodology: DCH is removing the 75% HSL cap for Pool 2 hospitals. Eligible hospitals will now receive DSH payments up to 100% of their HSL to maximize utilization of Georgia's DSH allotment.
DSH SPA: DCH will submit a State Plan Amendment to CMS by June 30, 2026 to reflect this change.

Interim DSH Payment Disclaimer

DCH paid interim DSH payments to public and private hospitals based on the assumption that new directed payment programs (including the HIP program) had not been approved. Because these programs were subsequently approved, most hospitals will have a DSH recoupment. **The final DSH payment will be offset against interim amounts already received due to the approval of new DPPs such as HIP.**

Federal DSH: HR 7148 (February 2026) eliminated allotment reductions for 2026-2027. Remaining $8B reduction scheduled for 2028.

Upcoming Changes

Upcoming Changes

Georgia Department of Community Health

CMS-2449-P Proposed Rule (May 20, 2026) – Key Provisions & Impact on HDPP & HIP

CMS-2449-P: New SDP Payment Caps

For new SDPs, payment rates are limited to 110% of Medicare (Georgia is a non-expansion state). Limits apply on a per-service basis using published Medicare rates. Effective for rating periods beginning on/after January 1, 2029 for service categories beyond IP/OP hospital, nursing facility, and AMC professional services.

Grandfathering & Program Impacts

Preprints submitted before July 4, 2025 with a rating period covering days from October 11, 2024 to March 27, 2026 qualify. CMS would allow per-service rate adjustments under grandfathered SDPs as long as total payments remain below the ACR and within the grandfathered aggregate amount.

Grandfathered amounts (pending CMS approval): HDPP Public ($427M), HDPP Private ($363M), HIP ($1.9B). HIP private payments contingent on tax waiver.

Phase Down & HIP Quality Requirements

Starting SFY 2029 (rating period on/after January 1, 2028)

CMS proposes a 10-percentage-point annual reduction to the grandfathered aggregate amount each year until the total payment rate reaches 110% of Medicare. CMS also proposes to prohibit uniform increase SDPs for rating periods on/after January 1, 2028.

HIP Program Note – Conditions of Participation and Quality Measures: *CMS will expect the HIP program to include defined conditions of participation and quality measure targets for the at-risk portion of payments. DCH is currently evaluating options and will communicate final determinations to participating hospitals.*

Upcoming Changes – Grandfathered Amounts by DPP

Overview of DPP payment limits prior to phase down which begins on the rating period beginning on or after January 1, 2028 (SFY 2029 for Georgia).

Program	Grandfathered Amount Pending CMS Approval
HDPP – Private	$363 Million[1,2]
HDPP – Public	$427 Million[1,2]
HIP – Private and Public	$1.9 Billion[1]

Notes:

1. CMS approval is limited to the specific rating period covered in the approved submission. CMS has indicated that the version submitted before the statutory cutoff date (July 4, 2025) may be eligible for the temporary grandfathering provision under the Working Families Tax Cut (WFTC) legislation (Section 71116).
2. If a state's SDP qualifies for the grandfathering period under more than one rating period (e.g., SFY 2025 and SFY 2026), CMS will permit the SDP with the higher total dollar amount to be grandfathered.