



**2026 ANNUAL
CONFERENCE & EXPO**
Celebrating 60 Years
Then. Now. Next.

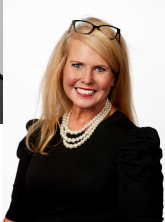

Top PDGM Myths
Busting the "Always" and "Nevers"!

May 23rd, 2026

2026 Annual Conference & Expo © 2026 California Association for Health Services at Home

1

Presenters
Lisa Selman-Holman and Annette Lee




2026 Annual Conference & Expo © 2026 California Association for Health Services at Home

2

Myth
Myth #1: "The PDGM diagnosis that pays the most should always be listed first."
Code for best pay!

Reality



2026 Annual Conference & Expo © 2026 California Association for Health Services at Home

3

Reality (CMS Guidance):
 The **primary diagnosis must reflect the chief reason for home health care**, not reimbursement optimization. CMS explicitly warns against diagnosis sequencing based on payment.

Busted by:

- Medicare Benefit Policy Manual (Ch. 7, §30.2.3)
- Official Coding Guidelines (etiology/manifestation rules still apply)

4

Unintentional Consequences

- The wound is the primary reason for care and is coded primary. The wound heals on day 25 and no change in primary diagnosis is made to the claim for the second 30 days.
- Fact: The claim should reflect the care provided.

*Clinical Group—As determined by the principal diagnosis reported on home health claims; 30-day periods are assigned to one of 12 clinical groups describing the primary reason for the home health encounter.

5

Myth

Myth #2: "Functional scoring is 'subjective' and won't be audited."

A tale of an overzealous CA team and audit...

Reality

6

Reality:
 CMS uses **claims, OASIS, and medical review data** to recalibrate PDGM functional levels and case-mix weights *every year*. Functional data is absolutely monitored.

Busted by:
 *CY Final Rules (ongoing recalibration language)
 *HH QRP/OASIS validation audits
 ✓ Perfect setup for FY 2026 functional level shifts.

This is how bad data becomes bad policy!
 California provider audited per NGS for having "High functional" points in the 80th percentile per their PEPPER!

CMS' policy is to annually recalibrate the case-mix weights and LUPA thresholds using the most complete utilization data available... [including] the functional levels and comorbidity adjustment subgroups.

Final 2026 rule

2026 Annual Conference & Expo

7

Myth
 Myth #3: "Pressure injuries, wounds, and surgical aftercare always drive higher payment."
Reality

2026 Annual Conference & Expo

8

Reality:
 Only **specific codes, groupings, and severity combinations** increase case-mix weight. Many commonly used wound codes fall into **lower-paying clinical groups** or are not part of the grouper.

Busted by:
 *PDGM Grouper logic
 *CMS case-mix weight tables

2026 Annual Conference & Expo

9

Final CY 2026 (with comparisons) Clinical Group Threshold

Clinical Group	Low 2025	Low 2026	Med 2025	Med 2026	Diff	High 2025	High 2026	Diff
MS Rehab	0-29	0-31	30-43	32-45	+2	44+	46+	+2
Neuro Rehab	0-33	0-34	34-49	35-52	+1	50+	53+	+3
Wound	0-32	0-33	33-48	34-52	+1	49+	53+	+4
Complex Nursing	0-29	0-31	30-52	32-54	+2	53+	55+	+2
Behavioral Health	0-28	0-31	29-44	32-46	+3	45+	47+	+2
MMTA Aftercare	0-27	0-30	28-40	31-42	+3	41+	43+	+2
MMTA Cardiac	0-27	0-28	28-40	29-43	+1	41+	44+	+3
MMTA Endocrine	0-27	0-27	28-40	28-41	+0	41+	42+	+1
MMTA GI/GU	0-32	0-34	33-47	35-48	+2	48+	49+	+1
MMTA Infection	0-31	0-32	32-44	33-46	+1	45+	47+	+2
MMTA Respiratory	0-32	0-33	33-44	34-46	+1	45+	47+	+2
MMTA Other	0-28	0-30	29-43	31-45	+2	44+	46+	+2

2026 Annual Conference & Expo

10



11

Reality:
 PDGM is **not visit- or therapy-driven**. Overutilization creates **margin erosion**, not higher reimbursement, and may trigger medical review concerns.

Busted by:
 *PDGM statutory design language
 *CMS repeated clarifications post-2020

2026 Annual Conference & Expo

12

Myth
 Myth #5: "LUPAs are random and unavoidable."
 (OR "You should NEVER have a LUPA")
Reality

2026 Annual Conference & Expo

13

Reality:
 CMS adjusts **LUPA thresholds annually** based on national utilization patterns. Many LUPAs are **predictable and preventable** with front-end planning.
Busted by:
 •Annual Final Rule LUPA recalibration
 •PDGM national claims data methodology

2026 Annual Conference & Expo

14

Example

Add'l PpE Revenue	Add'l Recert Revenue	Add'l LUPA Revenue	Add'l Revenue Opportunity	% Revenue Opportunity
\$96,087	\$517,396	\$78,398	\$691,881	16.61%

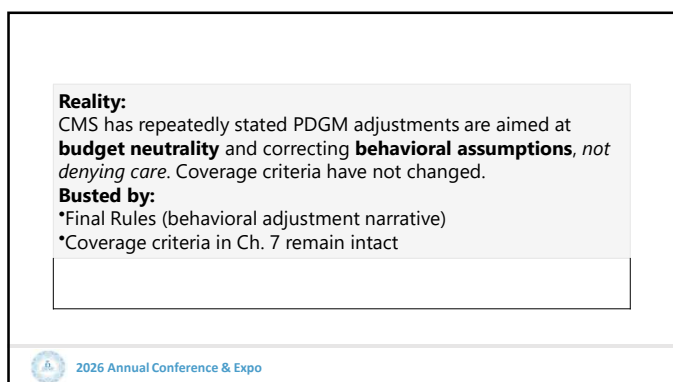
2025 Data		2026 Data		2026 National Data	
Periods per Episode	1.64	Periods per Episode	1.64	Periods per Episode	1.68
Revenue per Period	\$2,330	Revenue per Period	\$2,324	Revenue per Period	\$2,081
Revenue per Episode	\$3,825	Revenue Per Episode	\$3,815	Revenue Per Episode	\$3,466
Visits per Period	7.98	Visits per Period	7.98	Visits per Period	8.01
Visits per Episode	13.10	Visits per Episode	13.10	Visits per Episode	13.47
Percent Early Periods	38.48%	Percent Early Periods	38.48%	Percent Early Periods	31.24%
Average Early Case Mix	1.27	Average Early Case Mix	1.26	Average Early Case Mix	1.19
Average Case Mix	1.04	Average Case Mix	1.05	Average Case Mix	0.98
LUPA Rate	8.95%	LUPA Rate	8.84%	LUPA Rate	6.68%
Percent Outliers	9.17%	Percent Outliers	9.68%	Percent Outliers	8.02%
Percent Functional Low	44.36%	Percent Functional Low	44.36%	Percent Functional Low	30.32%
Percent Functional Medium	27.09%	Percent Functional Medium	27.13%	Percent Functional Medium	31.70%
Percent Functional High	28.56%	Percent Functional High	28.53%	Percent Functional High	37.98%
Average Wage Index	1.24	Average Wage Index	1.23	Average Wage Index	0.99
Recert Rate	25.53%	Recert Rate	25.53%	Recert Rate	38.16%
Total Revenue 2025	\$4,165,836	Total Revenue 2026	\$4,154,803	Total Revenue 2026	\$17,754,520,566

2026 Annual Conference & Expo

15



16



17



18

Reality:
 Only **certain combinations** qualify, and many diagnoses agencies assume are "high value" no longer produce additional case-mix weight — especially after recalibration.

Busted by:

- PDGM comorbidity subgroup tables
- Annual CMS recalibration methodology
- ✓ Strong segue to FY 2026 PDGM Grouper updates.

2026 Annual Conference & Expo

19

Myth
 Myth #8 "Shorter lengths of stay automatically protect margins under PDGM."

A tale of 2/3 and a missing 1/3...

Reality

2026 Annual Conference & Expo

20

Reality:
 PDGM pays by **30-day payment periods**, not per visit or per episode. Premature discharges increase exposure to **partial payment adjustments (PPAs)**, lost value in planned care, and increased rehospitalization risk.

Busted by:

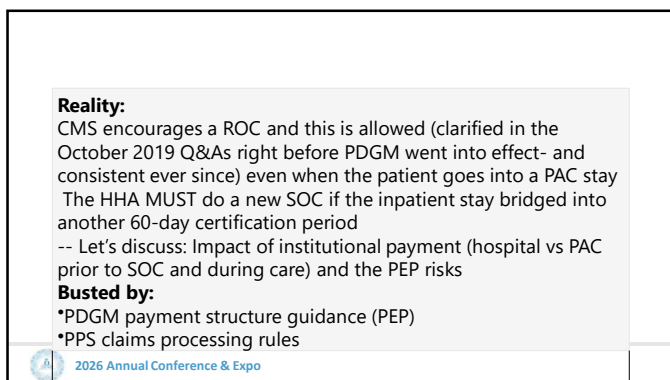
- PDGM payment structure guidance (PEP)
- PPS claims processing rules

2026 Annual Conference & Expo

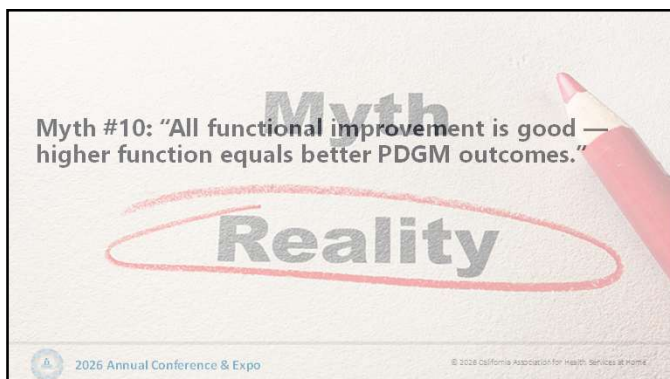
21



22



23



24

Reality:
Improved function may benefit **quality outcomes**, but **functional scoring directly affects case-mix weight**. Inaccurate or unsupported scoring — either too high *or* too low — creates **compliance risk** and case-mix distortion.

Busted by:

- PDGM functional impairment methodology
- HH QRP OASIS accuracy standards

2026 Annual Conference & Expo

25

Functional Impairment by Co-Morbidity Provider

None	30.67%
Low	55.71%
High	13.62%

Percent of Periods by Co-Morbidity National

None	29.53%
Low	54.64%
High	15.83%

Percent of Periods by Co-Morbidity State

None	29.79%
Low	55.67%
High	14.54%

Average # of Therapy Visits by Functional Level Provider

Low	4.10
Medium	4.92
High	5.12

Average # of Therapy Visits by Functional Level National

Low	3.17
Medium	3.92
High	4.39

Average # of Therapy Visits by Functional Level State

Low	2.61
Medium	3.23
High	3.67

Average # of Therapy Visits by Functional Level Star Rating

Low	3.31
Medium	3.91
High	4.49

2026 Annual Conference & Expo

26

	Low	Medium	High
MMTA Cardiac	\$ 2,006.31	\$ 2,205.49	\$ 2,423.78
MMTA Endocrine	\$ 2,607.43	\$ 2,697.06	\$ 2,860.06
MMTA GU/GU	\$ 1,994.02	\$ 2,207.02	\$ 2,423.78
MMTA Infectious	\$ 2,043.09	\$ 2,226.53	\$ 2,530.84
MMTA Other	\$ 2,042.08	\$ 2,222.20	\$ 2,423.94
MMTA Respiratory	\$ 2,025.67	\$ 2,234.23	\$ 2,446.92
MMTA Surgical Aftercare	\$ 2,024.75	\$ 2,240.55	\$ 2,517.68
Behavioral Health	\$ 1,948.61	\$ 2,218.33	\$ 2,579.76
Complex	\$ 2,001.53	\$ 2,291.96	\$ 2,224.65
MS Rehab	\$ 2,094.71	\$ 2,269.85	\$ 2,541.90
Neuro	\$ 2,279.07	\$ 2,484.46	\$ 2,778.55
Wound	\$ 2,903.33	\$ 3,066.35	\$ 3,342.10
	\$ 2,164.22	\$ 2,363.67	\$ 2,574.58


2026 Annual Conference & Expo

27

Thank You!

LisaSelman-Holman@McBeeAssociates.com

Annette@providerinsights.com

 2026 Annual Conference & Expo © 2026 California Association for Health Services at Home
