PEPPER Updates for Critical Access and Short-Term Hospitals Webinar Transcript

June 23, 2026 - 1:00 p.m.

Harjinder Gill

Good afternoon, everyone. We will begin today's webinar shortly. In the meantime, there is a survey available. If you could take a second to respond to that, we appreciate it.

Hannah Klein

If you're experiencing an echo, we recommend making sure you're only joined one time to the webinar on one device. We'll be starting in just a minute.

Harjinder Gill

Hi, good afternoon, my name is Jinder and on behalf of the PEPPER project team and our CMS colleagues, we would like to thank you for joining today's PEPPER release webinar for the Critical Access Hospital Fiscal Year 2025 and Quarter One Fiscal Year 2026 Short-Term Acute Care Hospital PEPPER.

A few housekeeping items before we get started:

This is being recorded and all attendees will be placed on mute.

Please use the Q&A function to submit your questions throughout the presentation. We will be answering questions during the Q&A portion at the end.

For anyone who prefers captions or needs them for accessibility, Zoom offers a built-in closed captioning feature. To enable captions during the webinar, click on the More Options, it's the three dots in your meeting controls, select Show Captions and captions will appear at the bottom of your screen.

Additionally, if you have questions you would like to ask after this session is complete, you can e-mail your questions to cms_cbrpepper@cms.hhs.gov.

Today's presentation will review the PEPPER and how to use it, as well as how to access and download your PEPPER via the new portal, and then we will answer questions before closing.

And to get started, I would like to introduce Hannah Klein, who will provide an overview of PEPPER and more details on the recent Critical Access Health and Short-Term PEPPER release.

Hannah Klein

[Thanks] Jinder and thanks everyone for joining us today.

If you are experiencing an audio echo, please just make sure that you are only joined one time to the meeting invite. That could be the source of multiple audio sources coming in for you.

So today we'll start with a brief overview of what is a Program For Evaluating Payment Patterns Electronic Report, otherwise known as a PEPPER. A PEPPER is an electronic report that displays statistics on Medicare payments for discharges and services that are considered vulnerable to improper payments. PEPPER displays the data for these areas of vulnerability, which we call target areas.

The Short-Term Acute Care Hospital PEPPER or the Short-Term (ST) PEPPER is a quarterly report that displays those statistics by federal fiscal quarter. You'll see here on the screen which time periods are covered by each federal fiscal quarter.

The Critical Access Hospital, or CAH, PEPPER is an annual report and reflects fiscal years.

The PEPPERs are generated for hospitals with at least 11 claims for a given time period, either fiscal year or fiscal quarter, depending on the report or at least one of the target areas to be included in the report.

So, PEPPER is designed to encourage providers to review their data about their billing practices so that they can improve the accuracy of the claims that they submit for Medicare for reimbursement. PEPPER enables hospitals and facilities to compare their claims statistics against other hospitals in their Medicare Administrative Contractor, or MAC, jurisdiction, their state, and across the nation. They are intended to be an educational resource for providers and can be helpful for strengthening compliance programs, preparing for conducting internal audits of billing practices, or for improving documentation and patient care plans. PEPPER does not identify improper Medicare payments, note, it is simply an educational tool for providers to help identify any payment patterns that may indicate an area of risk for improper payments so that they can be further reviewed.

The target areas in PEPPER display information about hospital payment patterns for specific areas identified as potentially at risk for improper payments. These target areas were identified through reviews by the Quality Improvement Organization and studies by the Office of the Inspector General, and these may change over time as we learn more about new areas at risk for improper payments and make refinements to reflect changes in billing or coding.

Generally, the target area numerator captures the discharges that are identified as potentially problematic, while the denominator captures the larger reference group.

Hospitals can use the target area, percentages and outlier status presented in their PEPPER to pinpoint areas in need of further investigation or monitoring. PEPPER can also help identify DRGs with potential under or overcoating problems and areas where length of stay may be increasing.

So, some quick PEPPER updates.

CMS paused the program back in 2023 and has since redeveloped the reports, launching a new PEPPER portal to ensure the secure delivery of the reports.

For the most up to date metrics for your organization, please refer to the most recent report available as this version will reflect the most up to date claims information.

Users may need to establish access to the PEPPER Portal in order to download the report. The portal access is available to individuals with Staff End User, or SEU, business function in the Identity and Access Management System or I&A.

You may need to reach out to your authorized official, also known as AO, or your Access Manager, your AM, to request access to your PEPPER.

The fiscal year 2025 Critical Access Hospital PEPPER includes a few updates, including an update to the Surgical Complications and Comorbidities and Major Complications and Comorbidities or Surgical CC/MCC target area to reflect changes to the DRGs 246 and 248. These were replaced by DRGs 321 and 322 beginning with fiscal year 2024.

Finally, both the Short-Term and Critical Access Hospital PEPPERs include revised readmission target area definitions to use the updated Clinical Classification Software Refined, or CCSR, categories to exclude claims with rehabilitation or primary psychiatric diagnosis.

With that, I'll turn it over to Dawn to continue to walk through the Critical Access Hospital PEPPER.

Dawn Strawser

Hi, thanks, Hannah.

Within the Critical Access Hospital PEPPER, there's 15 target areas.

The coding focused target areas seek to identify areas with potential over or under coding problems. These include the Stroke, Respiratory Infections, Simple Pneumonia, Septicemia, and Medical, Surgical and Single CC or MCC. The PEPPER identifies both high and low outliers for these target areas. The remaining target areas are admission necessity focused. These include the 3-Day Skilled Nursing Facility, the Swing Bed Transfers, 30-Day Readmissions to the Same Hospital or Elsewhere, 30-Day Readmissions to the Same Hospital, 2-Day Stay Medical and Surgical DRGs, and finally 1-Day Stay Medical and Surgical DRGs. Since these target areas are focused on admission necessity, the PEPPER only focuses on high outliers for these target areas.

This slide summarizes fiscal year 2025 outlier status by target area across Critical Access Hospitals. For each target area, the chart shows how many hospitals were identified as high outliers, low outliers, and how many were not outliers, and also how many had no data due to insufficient volume. The darker bars represent the high outliers, the medium blue bars from the low outliers, the lighter blue bars represent those that were not an outlier, and the gray bars represent hospitals with no reportable data for that target area. Remember only the coding focus target areas report on the low outliers.

This slide displays the national 80th and 20th percentiles for the Critical Access Hospital to areas for fiscal year 2025. The stroke intracranial hemorrhage national 80th percentile was about 94%, while the 40th percentile nationwide was about 78%. In contrast and looking at the National 80th percentile for the readmissions target area, it was much lower with 30-Day Readmissions to the Same Hospital target area, National 80th percentile being about 12%.

So, an example of how a PEPPER target area is calculated, we're going to walk through a calculation of the Simple Pneumonia target area.

The Simple Pneumonia target area numerator looks at the count of discharges for the DRGs 193 or 194 indicating a simple pneumonia and pleurisy with MCC and with CC, respectively. The denominator on the other hand counts the discharges for the DRGs 190,191,192, 193, 194, and 195.

If you look at example one, the claim includes DRG 190 which is a chronic obstructive pulmonary disease with MCC. Because 190 is included only in the denominator definition, this claim counts towards the denominator only.

In example 2, the claim has DRG 193 which is the simple pneumonia and pleurisy with MCC. In this case, the claim will apply to both the numerator and the denominator.

To further show how this target area works. Let's look at a year where the National 20th percentile for the Simple Pneumonia target area was 57.7% and the National 80th percentile was 80%. In this case, if your hospital's target area percentage is below the 20th percentile, then it has a low outlier for this fiscal year. If it falls above the 20th percentile benchmark but below the 80th percentile benchmark, then it's not an outlier. If it's an above the 80th percentile, then this is considered a high outlier.

In the table here we have Hospital 1 that had 30 discharges that met the numerator criteria and 80 discharges that met the denominator criteria. As such, the simple pneumonia target area percent for this Hospital is 37.5% and a low outlier. If you look at Hospital 2, they had 21 discharges that met the numerator criteria and 25 that met the denominator criteria, so their Simple Pneumonia target area percentage is 84% and identifies them as a high outlier.

Looking at Hospital 3, they had nine claims meet the numerator criteria, so they will have outlier status as no data because they did not meet the minimum threshold for reporting which is 11.

Users will see percentiles displayed in a few different places throughout the PEPPER. On the Compare Targets report on the Compare tab, table 2 displays the statistics for target areas with reportable data for the most recent fiscal year. The percentile displayed next to the hospital target discharge count and percent indicate what percent of hospitals have a lower target area percent compared to your facility. Think of this as how to know where your hospital compares to other hospitals in the nation, your MAC jurisdiction, and in your state.

In general, the percentile next to a hospital's target area percentage tells you what percentage of hospitals had a lower target area percentage for that comparison group. Said another way, it helps answer the question, how does your hospital compare to others for this target area and this time period?

Looking below at the Comparative Data Table, this is on each target area tab, and it works a little differently. It displays the national, the jurisdiction, and the state benchmark values, including the 80th percent, and for the coding focus target areas, the 20th percentile. These benchmarks are used to determine outlier status.

For this example of the Simple Pneumonia target area, the hospital target area percent was 71.1%, which makes them the 56th percentile for all hospitals in the nation, 48th percentile for their jurisdiction, and the 33rd percentile for their state.

For Fiscal Year 2025, the 80th percentile for Simple Pneumonia was 80% nationwide, so any hospital with a target area percent greater than 80% would be a high outlier for this target area in 2025.

If a hospital is a high outlier for Simple Pneumonia, one possible next step is to audit cases that meet the target area criteria. For example, the hospital may review cases with ICD-10 codes J69.0, J15.69, and J15.8, which are codes for complex pulmonary diagnosis, and evaluate the DRGs that were assigned to those claims. The purpose of this review is to determine whether the documentation supports the principal diagnosis and the billed DRG.

If the review identifies documentation or coding patterns that may need improvement, the hospital could implement staff training to reinforce the [documentation] requirements, including the need for physician diagnosis when billing for DRGs 193 or 194.

After the intervention has been in place for several months, the hospital may conduct a follow up review to determine [whether the number of cases lacking appropriate supporting] documentation has decreased.

Here's some additional ways to use your PEPPER. If your facility is a high or low outlier [for a target area, consider working with your compliance team to review] the claims that meet the numerator criteria for that time period. Review the related medical records for patterns or trends that may indicate billing or documentation concerns.

If patterns are identified, staff training or process updates may help correct billing practices going forward. Examples of these issues to look at include missing supporting documentation or a mismatch between the DRG code and the physician's documentation.

Facilities may also establish ongoing monitoring for areas where they're higher or low outliers to proactively track billing trends over time.

Next, I'm going to pass it to Teresa to review the Short-Term PEPPER.

Teresa Le

Thank you, Dawn.

Within the Short-Term PEPPER, there are 24 target areas. The coding focus target areas seek to identify areas with potential over or under coding problems. These include Stroke, Respiratory Infections, Simple Pneumonia, Septicemia, Unrelated OR Procedures, Medical, Surgical and Single CCs or MCCs, Severe Malnutrition, and Ventilator Support.

The Short-Term PEPPER identifies both high and low outliers for these target areas. The remaining target areas are admission necessity focused. These include Percutaneous CV, Total Knee Replacement, Syncope, Other Circulatory System Diagnosis, Other Digestive System Diagnosis, Medical Back Procedures, Spinal Fusion, 3-Day SNF, 30-Day Readmissions, 30-Day Readmissions Same, 2-Day Stay Medical And Surgical DRGs, and 1-Day Stay Medical and Surgical DRGs. Because these target areas focus on admission necessity, the Short-Term PEPPER only identifies high outliers for these areas.

The Q1 FY 2026 Short-Term PEPPER reflects several updates. First, there were fiscal year 2026 DRG description changes for DRGs 023, 067, and 068.

Second, the readmission target area logic was revised. The updated logic now excludes index claims where the patient discharge status code is 20, meaning the patient expired, so those claims are not treated as potential index admissions for a readmission.

The readmission logic also uses the updated Clinical Classification Software Refined or CCSR, categories to identify rehabilitation and primary psychiatric diagnosis for exclusion from the readmissions target areas.

This slide summarizes Q1 FY 2026 outlier status by target areas across Short-Term Hospitals. For each target area, the chart shows how many hospitals were identified as high outliers, low outliers, how many were not outliers, and how many had no data due to insufficient volume. The blue, the dark blue represents high outliers, the medium blue represents low outliers, the light blue represents those that were not an outlier, and the gray represents hospitals with no reportable data for that target area.

This slide displays the national 80th and 20th percentiles for the Short-Term Acute Care Hospital target areas for Q1 FY 2026. The stroke intracranial hemorrhage National 80th percentile was about 93%, while the 20th percentile nationwide was about 76%. In contrast, the National 80th percentile for the Readmissions target areas was much lower with 30-Day Readmissions to the Same Hospital Target Area, National 80th percentile being about 15%.

Next, I'll turn it over to Dawn to review the sample Critical Access Hospital PEPPER and its contents.

Dawn Strawser

Thanks, Teresa.

As with previous PEPPER releases and similar to the Short-Term Acute Care Hospital PEPPER, this Critical Access Hospital PEPPER is delivered as an Excel workbook with separate tabs for the report purpose, the target area definitions, the target area comparison report, and the results for each individual target area.

Looking at the purpose tab, it includes a summary of the purpose and the scope of the PEPPER. It also displays the hospital CMS Certification Number, or CCN, the MAC jurisdiction, and lists the date range included in this report. For this release, the Critical Access Hospital PEPPER includes data from fiscal year 2023 through fiscal year 2025.

Moving over to the Definitions tab, this is where you'll see the description, including the numerator and denominator information for each of the target areas. For more detailed information about how the target areas are calculated, please see the User Guide available on the PEPPER website.

Next, we're going to look at the Compare Targets Report tab. This report displays all of the target areas for which your facility had at least 11 claims for the numerator in the most recent fiscal year. For this report, for the Critical Access Hospitals, that would be for Fiscal Year 2025 or data from October 2024 through September 2025.

The Short-Term PEPPER displays the target areas for the most recent fiscal quarter, which for the latest report is Quarter 1 Fiscal Year 2026.

If a hospital has more than 11 discharges that meet the target area numerator definition during the time period, then this will report will display the number of discharges, the metric rate, the

percentiles when compared to the nation, hospital jurisdiction, and state, as well as the sum of payments for that target area. If a hospital is a high outlier for the target area, then the percent is going to be indicated in a red bold font. If the hospital is a low outlier for that target area, then the percent will be indicated in a green italic font, while non outliers are displayed in black font.

Now we're going to use the Simple Pneumonia tab to look at the target. So, on each of these target area tabs, users will find a table with the hospital statistics and a comparative data table showing their national jurisdiction and state comparison values. These tables allow users to compare the hospital's target area percentage with the relevant benchmark groups. Below the comparative data table, the graph displays the hospital statistics alongside the national jurisdiction and state percentiles. For target areas where only high outliers are calculated, the graph displays the 80th percentile benchmarks.

Each of the target area tabs also includes suggested interventions for high and, where applicable, low outliers.

The Critical Access Hospital PEPPER has a Top DRGs tab. This is at the end of the report, and this tab shows the top DRGs billed by the hospital for the most recent fiscal quarter and ranks the top 20 DRGs by discharge count.

If multiple DRGs share the same rank, all tied DRGs are displayed. If there are no DRGs with at least 11 discharges during the most recent fiscal year, then no data will display in the total row. For each DRG, the total will show the table will show the discharge count, the proportion of discharges for that DRG compared with all DRGs, and the hospital's average length of stay for that DRG. The table also summarizes the total count of top DRG discharges, the total discharges for all DRGs, the proportion of top DRG discharges compared with all DRG discharges, and average length of stay for both the top DRGs and all DRGs.

The PEPPER also displays the top DRG information for the MAC jurisdiction for comparison. The Short-Term PEPPER includes similar top DRG information for the 1-Day Medical Stay DRG and the 1-Day Stay Surgical DRGs.

Those tables can be found on those corresponding target area tabs below the graphs.

Now I'm going to turn it back over to Hannah to review the website portal.

Hannah Klein

Thanks, Dawn. Now we'll walk through how to access your PEPPER.

We will begin by visiting the CMS PEPPER web page. In addition to accessing the PEPPER Portal from the site, you can also find helpful resources such as Frequently Asked Questions, the latest User Guide, and information about how to contact our help desk if you have further issues or questions. In addition, a recording of today's presentation and a copy of the slides will be posted to the PEPPER Resources page on the website as a reference for users. You'll begin with clicking the blue button for PEPPER Portal to open the PEPPER.

Once you click that button, this will take you to the PEPPER login page. To access the new portal, you will need to have an account with the CMS Identity and Access Management System or I&A and be registered as a Staff End User, Authorized Official, or Access Manager for your organization with the PEPPER business function. This is the same login information that is used across the CMS NPPES and PECOS systems. If you need assistance with your I&A credentials,

please contact the External User Services, or EUS, Help Desk. Their information is listed on the login page here.

Once you have successfully logged into the PEPPER Portal, you will see a drop-down box to select your organization's CMS Certification Number, or CCN. This was formerly known as OSCAR. If you do not see your organization's CCN listed, please check with your organization AO or AM, or the EUS Help Desk to verify that you are listed as either Staff End User, Authorized Official, or Access Manager for that particular CCN. If you are an SEU, AO, or AM and you have the PEPPER business function and you still do not see your organization CCN listed, then that means that there is no PEPPER available for your organization at this time.

As a note, only the Short-Term Acute Care Hospitals, Critical Access Hospitals, and Hospice organizations with reportable data will have a PEPPER available for download at this time. PEPPERs for other facility types will be available later this year and you can find a full release schedule on the PEPPER website.

So, once you've found your CCN number and selected it in that drop-down menu, you should be able to view and download any PEPPERs available for you. To download, what you'll do is just click on the file name itself.

Also available to you once you've logged into the PEPPER portal is the PEPPER Resources Help Desk. If you have any questions about how a target area was calculated, or if you have any other questions about the content within your PEPPER, please submit your questions using this Help Desk form, which you can find by selecting Help Desk from the top bar at the top of the web page.

Harjinder Gill

All right. Thanks, Hannah, Dawn, and Teresa. We will open the webinar for questions.

Those of you who have posted questions, we've been actively responding to those. Regarding sending out the recording, it will be posted on the PEPPER website. The slides will also be made available on the PEPPER website under the Training and Resources page.

So, if you have questions, feel free to use the Q&A function.

Hannah Klein

We can read through some of the questions we've already received and answered if folks are just listening. And yes, there will be the option to download the handouts from today. The webinar recording, slides, transcript, and questions and answers will be posted to the PEPPER website under the Training and Resources page in the weeks following this presentation.

Additionally, we do have a similar webinar scheduled tomorrow for the Hospice PEPPER, if you're interested in that. The link is posted in the answer to the question in Zoom here.

Dawn Strawser

We can answer the one question that just came in.

Has there been consideration for small volume Short-Term facilities to get a larger amount of time when we don't trigger enough cases for barely any of the measures?

This is a CMS requirement due to confidentiality that there would need to be at least 11 discharges for a target area to display. At this time there's no update, no change to that going to be made in the future, other target areas are going to be explored and maybe some of those target areas would be more applicable to have a bigger volume and smaller Short-Term facilities.

Harjinder Gill

We have one question.

If the percent far right column says NA, then I don't have enough data to be included in the stats, correct?

Hannah Klein

That is correct. If the if it says NA, then that means there were fewer than 11 discharges that met the numerator or denominator criteria for that particular target area for that particular fiscal year if it's a Critical Access Hospital PEPPER or fiscal quarter if it's a Short-Term PEPPER.

Harjinder Gill

There is a question, where is the schedule for report release posted?

It is on the PEPPER website under Training and Resources.

Hannah Klein

You should find it on the link that was posted by Elaine earlier in the webinar chat. It is on the FAQ page specifically.

Harjinder Gill

Question, do we need to submit any information for this spreadsheet or do the Critical Access Hospital already submit that info?

Dawn Strawser

Yes, for this PEPPER. This is calculated from the Medicare claims that have been submitted for that Critical Access Hospital for the time that was looked at for this report, fiscal year 2023 through fiscal year 2025. So, nothing additional needs to be submitted by a hospital to be included in the PEPPER. It's going off by the Medicare claims submitted for the time period.

Harjinder Gill

A question about access, do all providers need to approve PEPPER access with an I&A to be able to obtain information. Hannah, do you want to take that one?

Hannah Klein

Yeah, in order to be able to log into the PEPPER portal and download your report, you will need to have your account set up with I&A and have it linked to the CCN that you are looking to get your report for.

Dawn Strawser

Question, can you pull up the slide again for that simple pneumonia example?

One more. No, sorry. That one, yeah. So, the question is, can you go over one more time what your percentage means on the CAH for simple pneumonia?

So, if the rate is 59.3%, what does that mean? So, in looking at the numerator, you're looking at DRGs 193 and 194 and then you look at the denominator which includes 190 through 195. So, this is saying from your basically respiratory patients, pneumonia patients that 59.3% are being coded as a simple pneumonia, pleurisy with an MCC or with a CCC as compared to the denominator which is looking at the COPD diagnosis. Also, those two that are included in the numerator along with a simple pneumonia and pleurisy without CCC/MCC.

So again, that means 59.3% of your patients are being coded within 193 or 194 discharge or DRG code as compared to the bigger group of patients that have been coded as a 190 through 195. So, it's saying more than half of your patients are being coded or diagnosed with DRGs 193 and 194 compared to the denominator criteria.

Hannah Klein

Do you want me to take that one?

OK, so we got one more question here about the having a top DRGs table like the Critical Access Hospital PEPPER. Currently the Short-Term PEPPER does have two separate top DRG tables. Those can be found on the 1-Day Stay Surgical and 1-Day Stay Medical DRG target area tabs. If you scroll down beyond the graph displaying that if you keep going on that tab, what those tables display are the top DRG discharges that had a one day stay and we break it out into two separate tabs, one for medical and one for surgical.

So at this time, instead of having a single top DRGs table like the Critical Access Hospital PEPPER, it's currently in two separate places on the 1-Day Stay Medical and 1-Day Stay Surgical DRG tabs.

Dawn Strawser

Question, if the providers have not approved PEPPER access by way of I&A, will that affect the hospital status?

It doesn't affect what's in the PEPPER reports. Your report would still be available, but just not being able to be accessed until that access is received. But nothing changes with the statistics on the hospital PEPPER.

Harjinder Gill

And feel free to send us any questions you may have at cms_cbrpepper@cms.hhs.gov. And we do have some additional time so, if you have questions feel free to post those. I will just do a call to action before we close.

First, please complete the webinar feedback survey, we appreciate your input.

Second, if you need access to your organization's PEPPER, register for the Staff End User PEPPER business function in the I&A management system or work with your organization's AO, Authorizing Official or Access Manager.

And then third, once you have access, please download your PEPPER and use it to support your internal monitoring and review activities.

This does conclude today's webinar. Thank you for joining us and for the important work that you do every day.

Again, thank you for taking the time to attend the webinar and please do respond to that survey.

We do have another question.

If our facility has no data and NA, then we did not have enough cases?

Hannah Klein

Yes, that would be correct.

Harjinder Gill

Yeah, thank you.

Thank you so much.