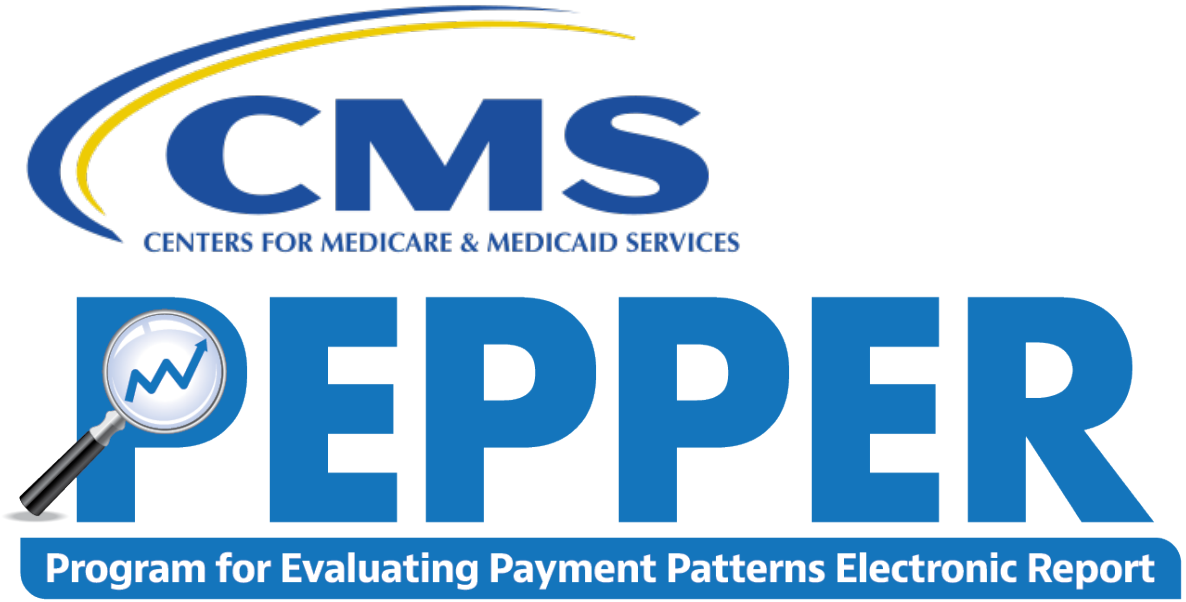

PEPPER June 2026 Release Webinar

June 23, 2026

Thank you for joining today's presentation. We will begin momentarily.

PEPPER June 2026 Webinar Agenda

- Welcome to today's presentation on the recently released Critical Access Hospital (CAH) FY 2025 and Q1 FY 2026 Short-Term (ST) Acute Care Hospital PEPPERs.
- We will begin momentarily.
- All participants will be muted for the presentation. To submit a question, please enter your question in the Q&A box in Zoom.

1	**PEPPER Overview & Updates** *10 Minutes*
2	**PEPPER Review** *30 Minutes*
3	**Portal Access** *5 Minutes*
4	**Questions and Answers** *10 Minutes*
5	**Closing Remarks** *5 Minutes*

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PEPPER Overview

What Is a PEPPER?

- A Program for Evaluating Payment Patterns Electronic Report (PEPPER) is an electronic report that delivers facility-specific Medicare statistics for discharges and services vulnerable to improper payments.
- Each PEPPER contains statistics for each area at risk for improper payments ("target areas").
- The Short-Term Acute Care Hospital PEPPER is released quarterly and breaks down hospital statistics by federal fiscal quarter.
  - Q1: October – December
  - Q2: January – March
  - Q3: April – June
  - Q4: July – September
- The Critical Access Hospital (CAH) PEPPER is released annually and presents hospital statistics by Fiscal Year (FY).
- PEPPER is generated only for hospitals with sufficient data (more than 11 claims) for the target areas included in the report.

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PEPPER Purpose

How Can PEPPER Be Used?

- PEPPER encourages providers to review data about their billing practices to help ensure they submit accurate claims for payment.
- PEPPER provides a comparison of your hospital's claims-data statistics against other hospitals in your Medicare Administrative Contractor (MAC) jurisdiction, your state, and the nation.
- PEPPER offers education for providers on their payment patterns and their potential risk for improper payments.
- Note: PEPPER does not identify improper Medicare payments.

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PEPPER Target Areas

- PEPPERs display information on hospital payment patterns for specific areas identified as potentially at risk for improper Medicare payments, known as ***Target Areas***.
- These target areas were identified through Quality Improvement Organization reviews and Office of Inspector General studies.
- Target areas may change over time as MACs identify new risks, policy changes are implemented, etc.
- Target areas are constructed as a ratio.

Numerator

- Discharges identified as potentially problematic

Denominator

- The larger reference group that contains the numerator

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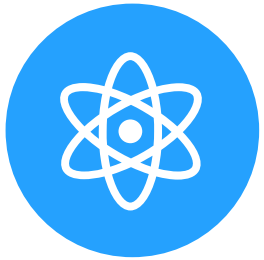
How to Use PEPPER

While PEPPER does not identify the presence of payment errors, facilities can use PEPPER data to:

Pinpoint specific areas in need of auditing or monitoring



Identify potential DRG under-coding or over-coding problems

Identify target areas where length of stay is increasing

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PEPPER Updates

What Has Changed?

- PEPPERs have been redeveloped, so beginning with the Q3 FY 2025 ST PEPPER and FY 2025 CAH PEPPER, users may notice slight differences in their target area performance when compared with historical PEPPERs.
- Users should refer to the most recent report for the most up-to-date information.
- The new portal is now accessible to users with the Staff End User (SEU) business function in the Identity & Access Management (I&A) System.
- Staff End Users should contact their Authorized Official (AO) or Access Manager (AM) to request access.
- FY 2025 CAH PEPPER reflects updates to the Surgical CC/MCC target area to incorporate changes to the DRGs 246 and 248, which were replaced by DRGs 321 and 322 beginning in FY 2024 and reflects updated Single CC/MCC calculations.
- Both the ST and CAH PEPPER have updated definitions for the Readmissions target areas, which now use the new Clinical Classification Software Refined (CSSR) categories to exclude claims with rehabilitation and primary psychiatric diagnoses.

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Critical Access Hospital PEPPER Target Areas

- Coding Focused

Stroke Intracranial Hemorrhage (ICH)

Respiratory Infections

Simple Pneumonia

Septicemia

Medical CC or MCC

Surgical CC or MCC

Single CC or MCC

- Admission Necessity Focused

3-Day SNF

Swing Bed Transfers

30-Day Readmissions to the Same or Elsewhere

30-Day Readmissions to the Same Hospital

2-Day Stay Medical DRGs

2-Day Stay Surgical DRGs

1-Day Stay Medical DRGs

1-Day Stay Surgical DRGs

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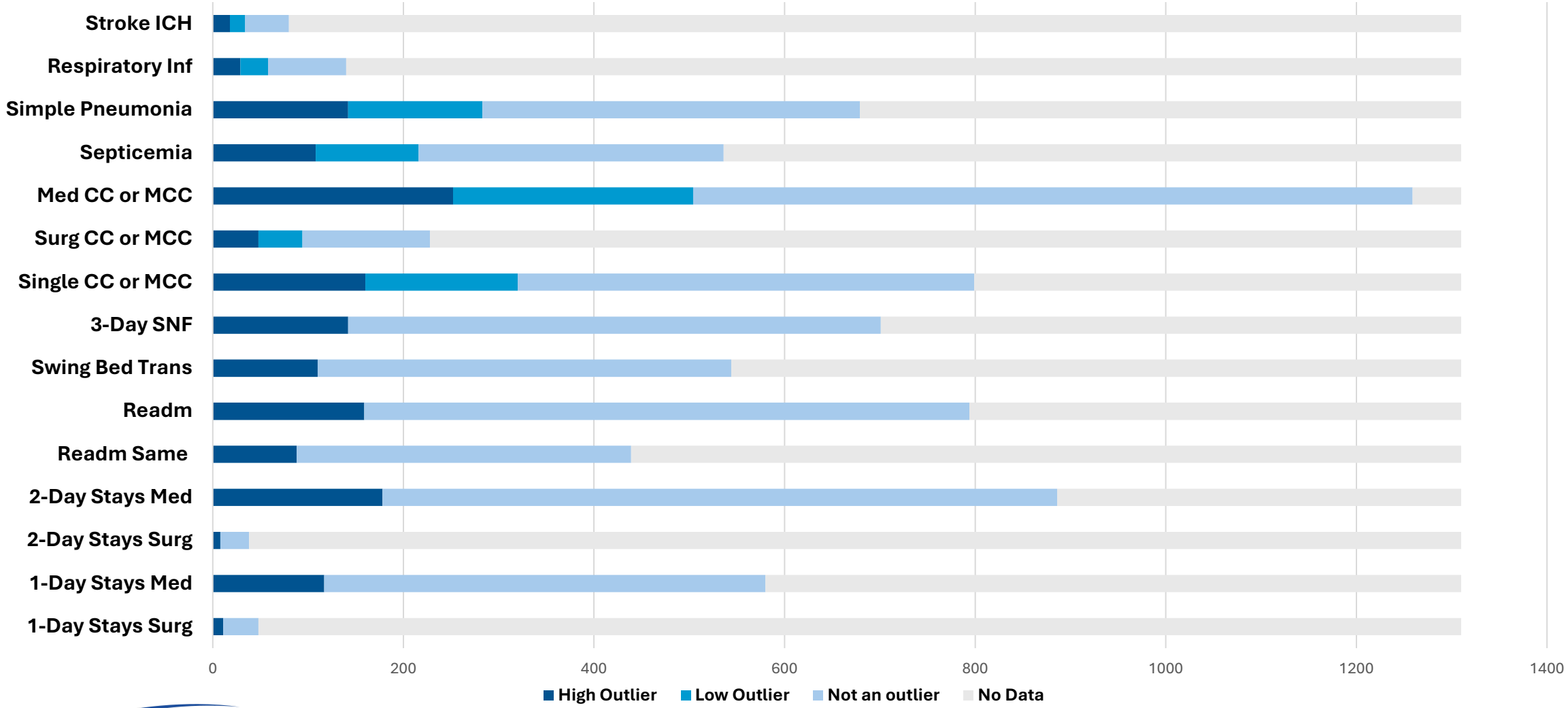
FY 2025 CAH PEPPER Outlier Status by Target Area



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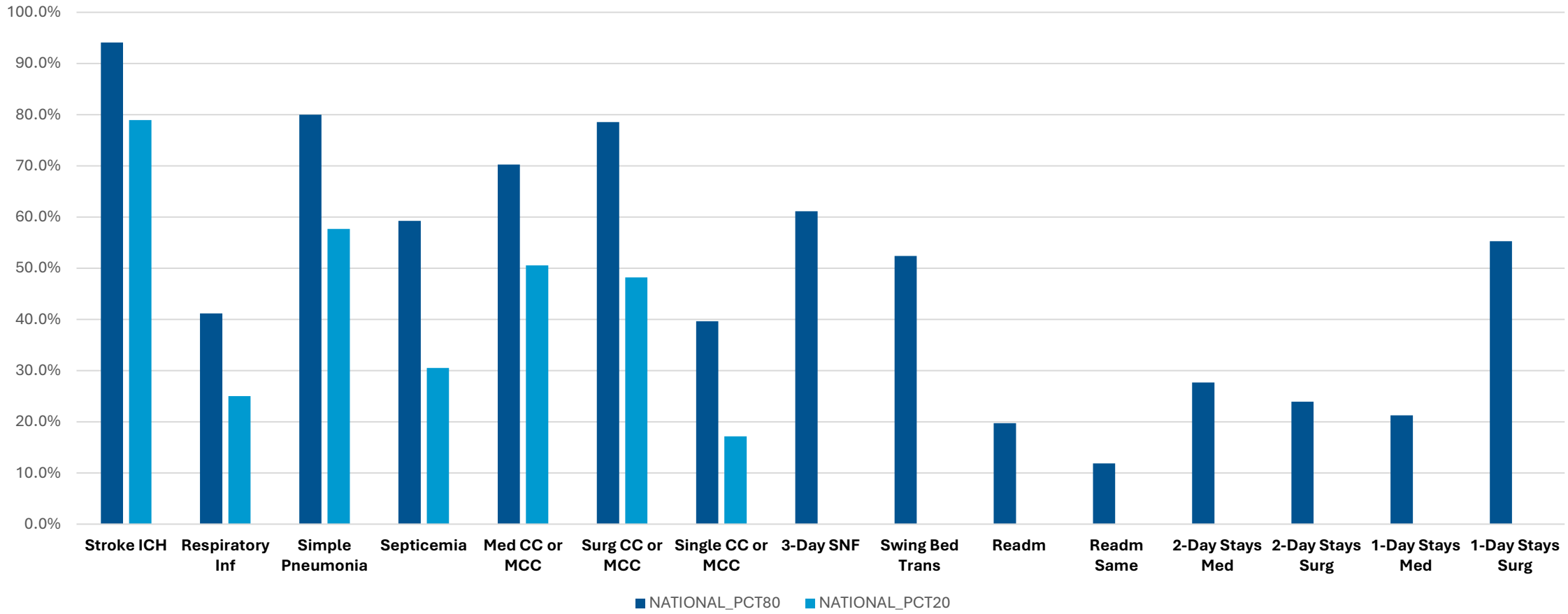
National 80th & 20th Percentiles for Critical Access Hospital Target Areas - FY 2025



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Example Target Area Calculation: Simple Pneumonia

Target Area	Target Area Definition
Simple Pneumonia	**Numerator***:* Count of discharges for the following DRGs: • **193** (simple pneumonia and pleurisy with MCC) • **194** (simple pneumonia and pleurisy with CC) **Denominator***:* Count of discharges for the following DRGs: • **190** (chronic obstructive pulmonary disease with MCC) • **191** (chronic obstructive pulmonary disease with CC) • **192** (chronic obstructive pulmonary disease without CC/MCC) • **193**, **194** • **195** (simple pneumonia and pleurisy without CC/MCC)

Example 1: Claim includes DRG **190**

→ Applies to the denominator only

Example 2: Claim includes DRG **193**

→ Applies to both the numerator and denominator

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Example Target Area Calculation: Simple Pneumonia (Continued)

Benchmark	Simple Percentage	If Target Area Percentage is Below?	If Target Area Percentage is Above?
National 20th Percentile	57.7%	Low outlier	Not an outlier, if still below 80th percentile
National 80th Percentile	80.0%	Not an outlier, if above 20th percentile	**High outlier**

Hospital	Target Area Discharge Count (Numerator)	Denominator Discharge Count (Denominator)	Simple Pneumonia Percentage	Outlier Status
Hospital 1	30	80	**37.5%**	*Low outlier*
Hospital 2	21	25	**84.0%**	**High outlier**
Hospital 3	9	18	*N/A – fewer than 11 claims in numerator*	No data

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Understanding PEPPER Percentiles

Compare Targets Report

- Shows Target Area information for the most recent fiscal year
- Includes your hospital's percentile rankings
- Think of it as: *How does your hospital compare to others for this year?*

Table 2 Compare Targets Report

Target	Number of Target Dischs	Percent	Hospital National %ile	Hospital Jurisdict. %ile	Hospital State %ile	Sum of Payments
Simple Pneumonia	27	71.1%	56.3	48.8	33.3	$396,015

Note: Data is only displayed for target areas with at least 11 discharges during the most recent 12-month period.

Comparative Data Table

- Shows National/ Jurisdiction/ State information for the Target Area
- For example, a target area of 80.0% or higher would be a high outlier for 2025 for Simple Pneumonia
- In this hospital's jurisdiction, however, that number drops to 78.5%

Table 8 Comparative Data for Simple Pneumonia

Time Period	National 80th Percentile	Jurisdiction 80th Percentile	State 80th Percentile	*National 20th Percentile*	Jurisdiction 20th Percentile	State 20th Percentile	Percent (Numerator / Denominator)
FY 2023	76.5%	78.3%	78.3%	55.0%	57.1%	56.4%	56.4%
FY 2024	80.0%	75.8%	78.6%	56.3%	55.0%	57.8%	73.3%
FY 2025	80.0%	78.5%	78.5%	57.7%	64.8%	65.4%	71.1%

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Example Next Steps for a High Outlier – Simple Pneumonia Target Area

Hospital is a High Outlier

Audit Cases

Review cases with ICD-10 codes J69.0, J15.69, and J15.8 to evaluate the DRGs assigned to these claims to identify cases where the documentation did not support the principal diagnosis.

Implement Intervention

Implement staff training to reinforce proper documentation practices, ensuring that a physician diagnosis is documented when billing DRGs 193 or 194.

Follow Up

Conduct a follow-up review after several months and to assess whether counts of severe cases of simple pneumonia and pleurisy with a CC or MCC that lacked appropriate documentation have decreased.

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Using Your PEPPER

- For areas where your organization is a high or low outlier, review the claims that meet the numerator criteria for the time period.
- Review the medical records for these claims to identify potential patterns or trends of improper billing practices.
  - If any patterns are identified, provide staff training to correct billing practices going forward.
- Potential issues for improper billing:
  - Lack of supporting documentation
  - Mismatch between the DRG code and the physician's documentation
- Establish monitoring for areas of care where your organization is a high or low outlier to proactively track billing trends.

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ST PEPPER Target Areas

Coding-Based Target Areas

- Stroke Intracranial Hemorrhage
- Respiratory Infections
- Simple Pneumonia
- Septicemia
- Unrelated OR Procedures
- Medical DRGs with CC or MCC
- Surgical DRGs with CC or MCC
- Single CC or MCC
- Severe Malnutrition
- Ventilator Support

Admission-Necessity Target Areas

- Percutaneous CV Procedures
- Total Knee Replacement
- Syncope
- Other Circulatory System Diagnoses
- Other Digestive System Diagnoses
- Medical Back Procedures
- Spinal Fusion
- 3-Day SNF-Qualifying Admissions
- 30-Day Readmissions to Same Hospital or Elsewhere
- 30-Day Readmissions to Same Hospital
- 2-Day Stay Medical DRGs
- 2-Day Stay Surgical DRGs
- 1-Day Stay Medical DRGs
- 1-Day Stay Surgical DRGs

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ST PEPPER Updates for Q1 FY 2026

- **DRG Description Changes for FY 2026:**
  - DRG 023 (craniotomy with major device implant or acute complex CNS principal diagnosis with MCC or antineoplastic implant or epilepsy with neurostimulator)
  - DRG 067 (precerebral occlusion without infarction with MCC)
  - DRG 068 (precerebral occlusion without infarction without MCC)
- **Revised Readmission Logic**
  - Now applies an exclusion for patient discharge status code 20 (expired) to the index claims
  - Updates exclusion criteria to remove cases with rehabilitation or primary psychiatric diagnoses using the new Clinical Classification Software Refined (CCSR) categories

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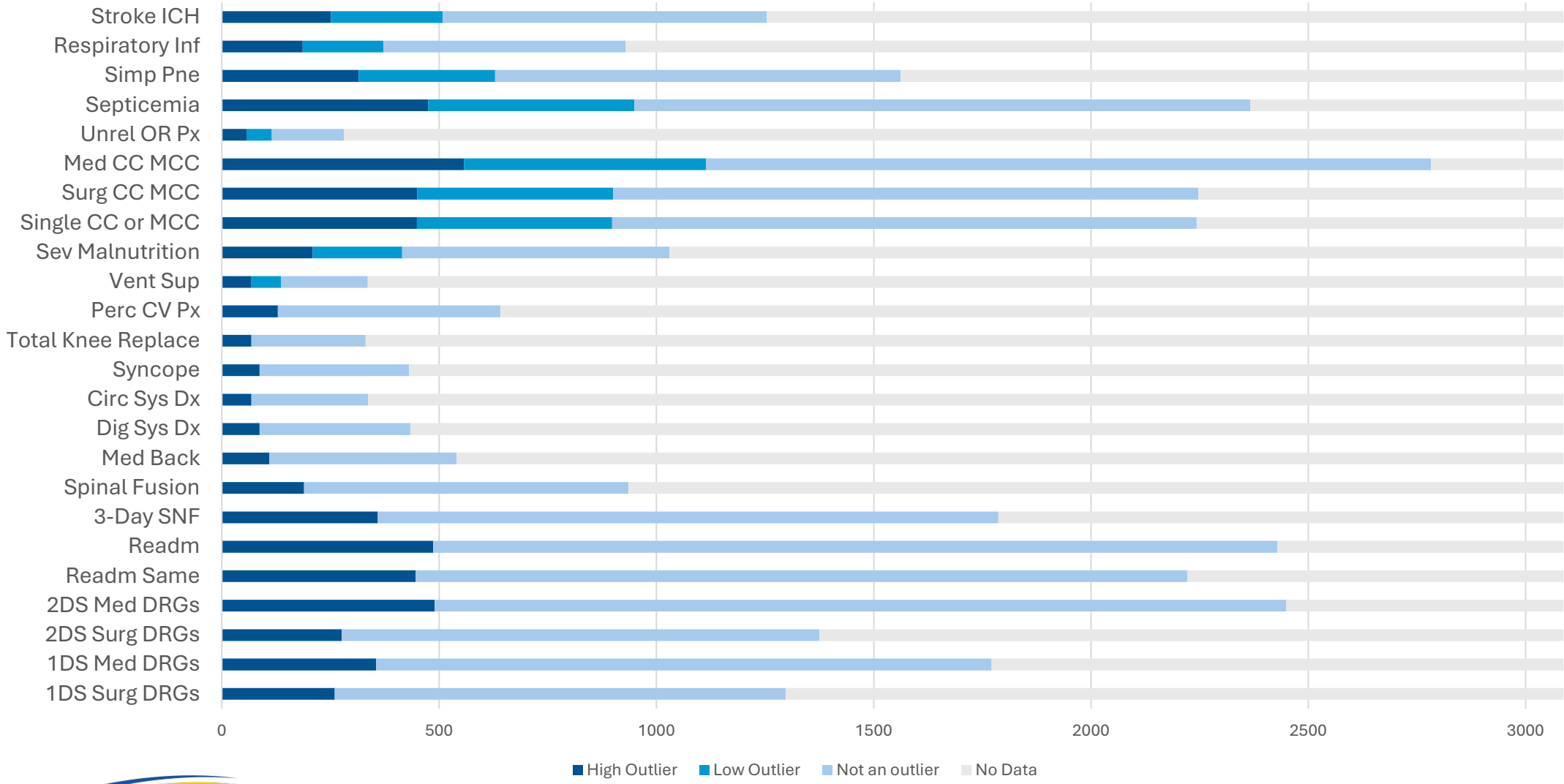
Q1 FY 2026 ST PEPPER Outlier Status by Target Area



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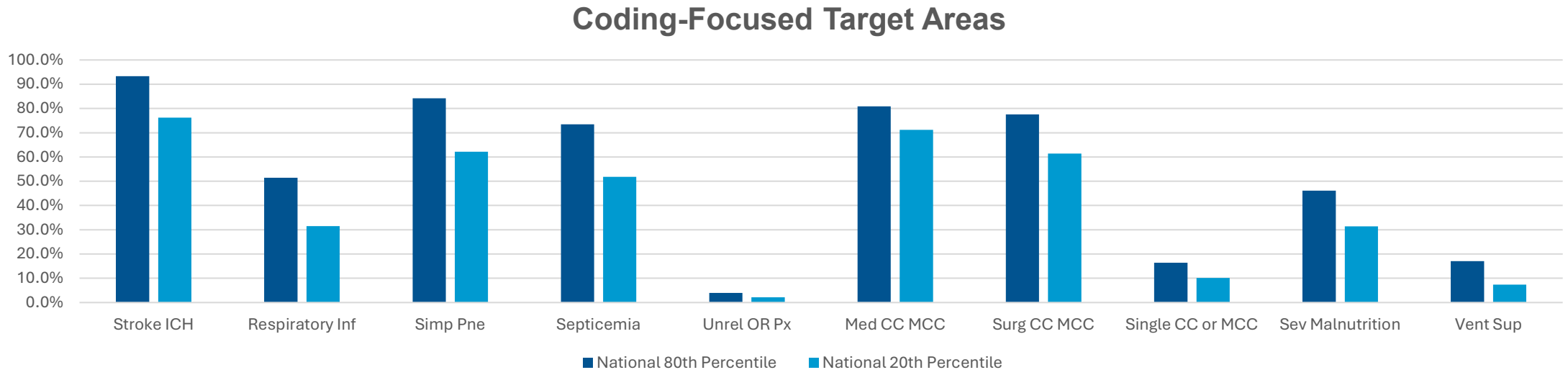
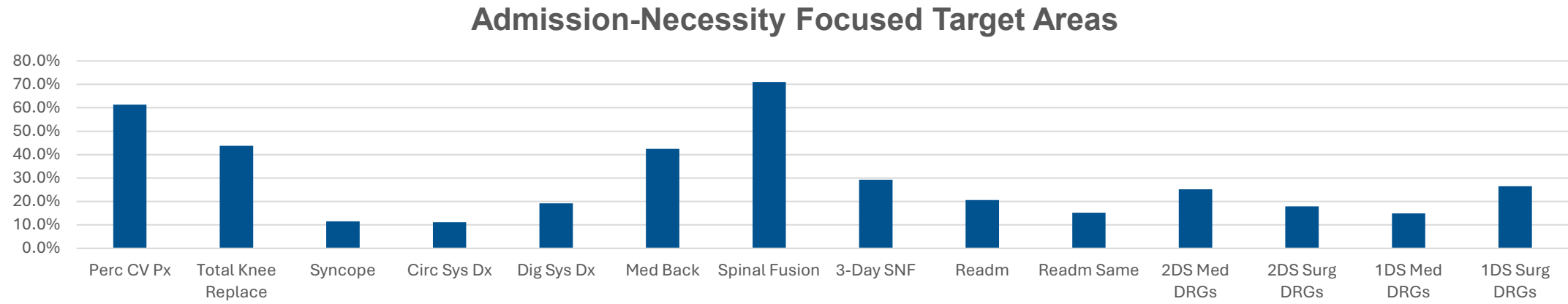
ST PEPPER Q1 FY 2026 Target Area National Percentiles





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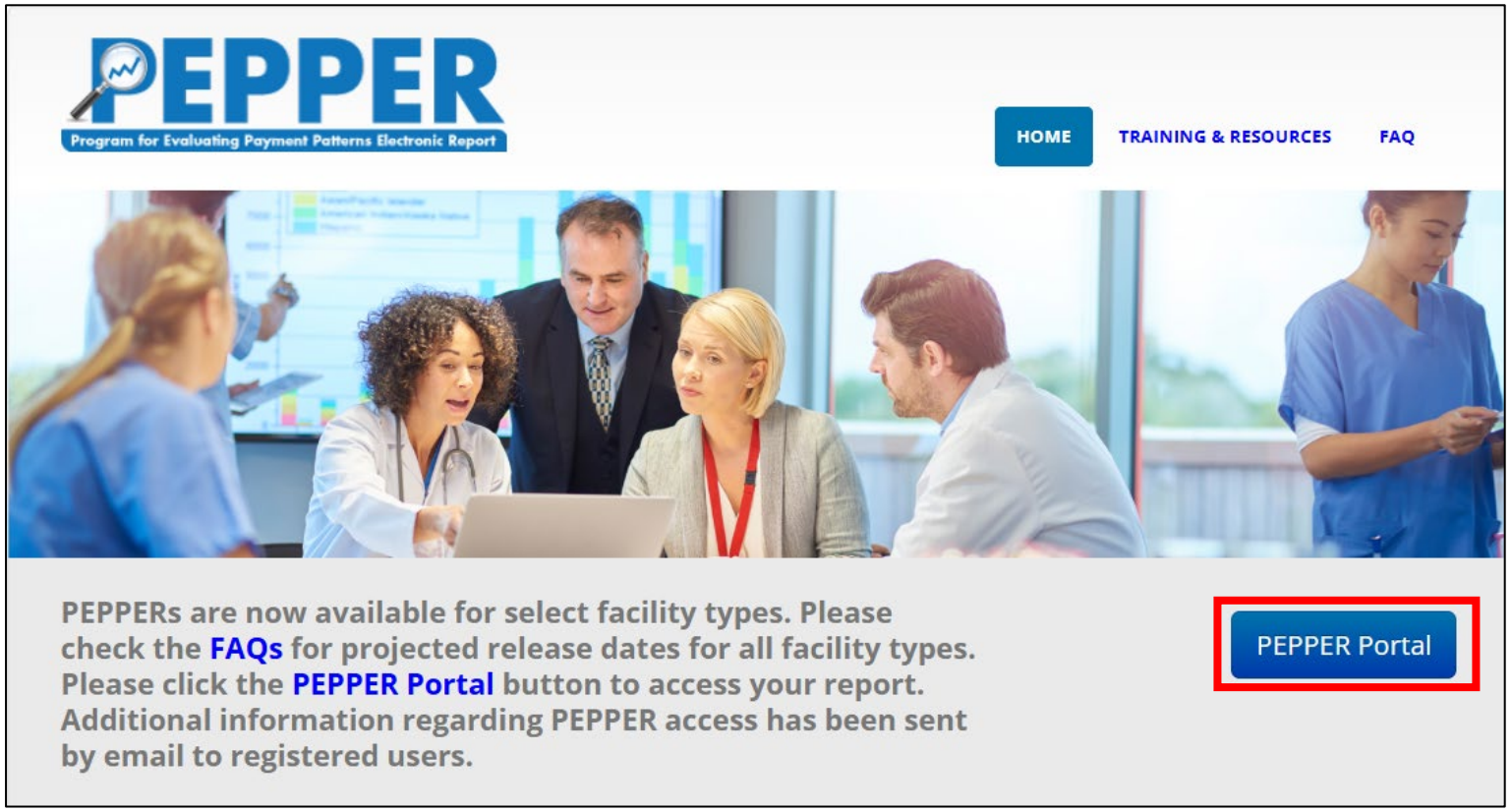
Sample PEPPER Review

Website Portal Overview

PEPPER Website

Visit the CMS PEPPER website for more information, including links to the following tools:

- **FAQs**
- **User Guide**
- **PEPPER Help Desk**



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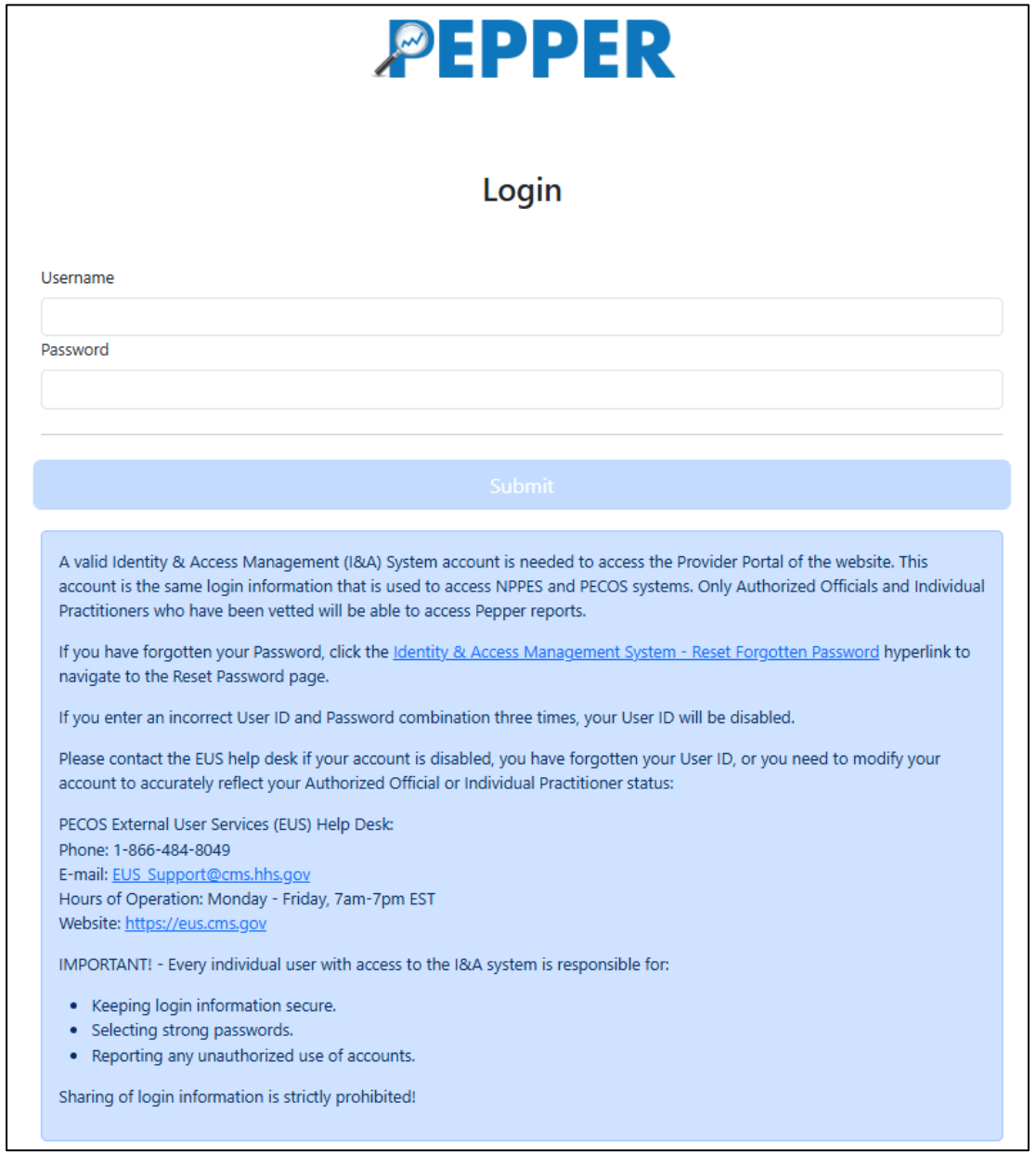
PEPPER Login Page



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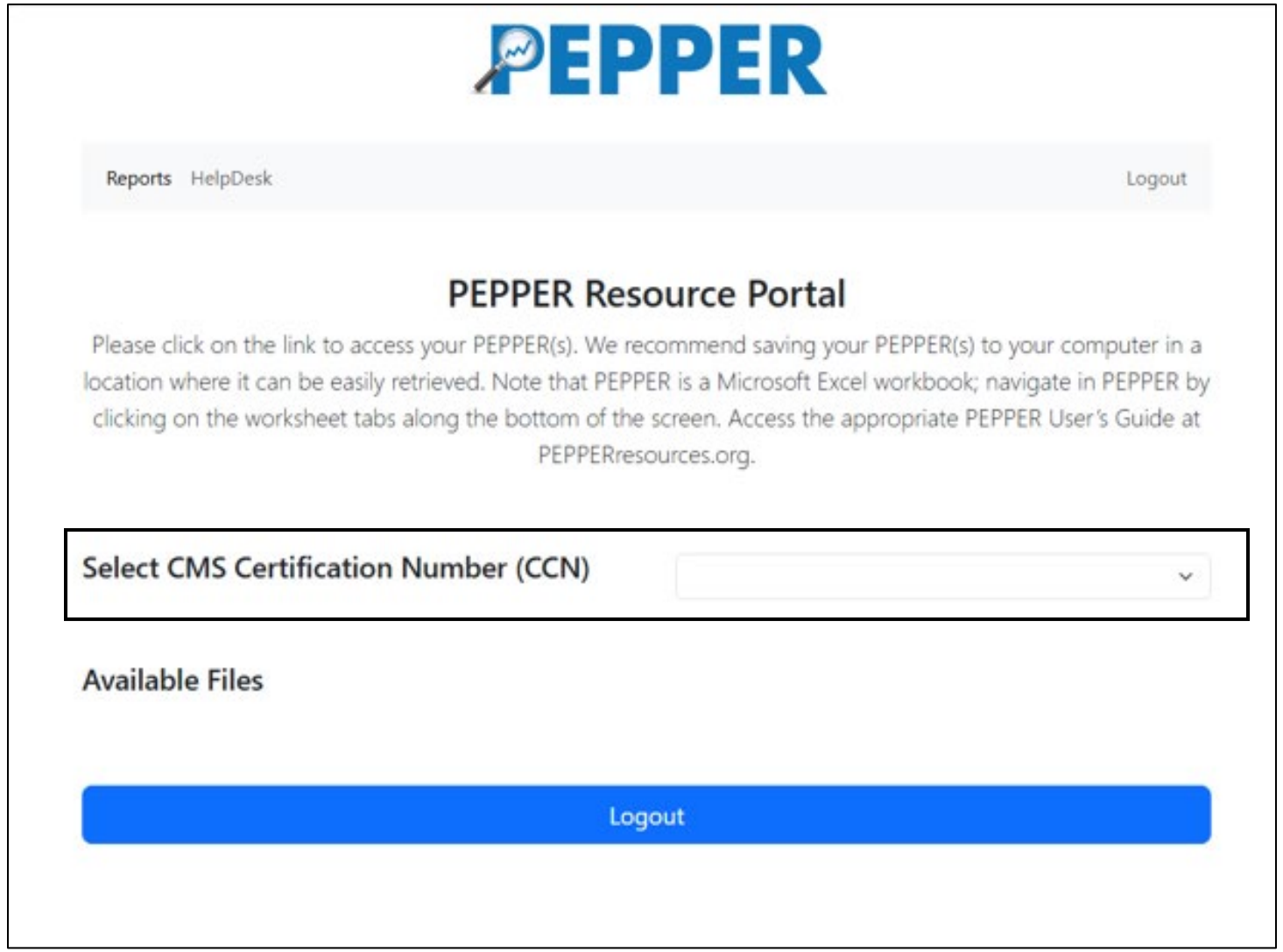
Accessing Your PEPPER: Select Your Organization



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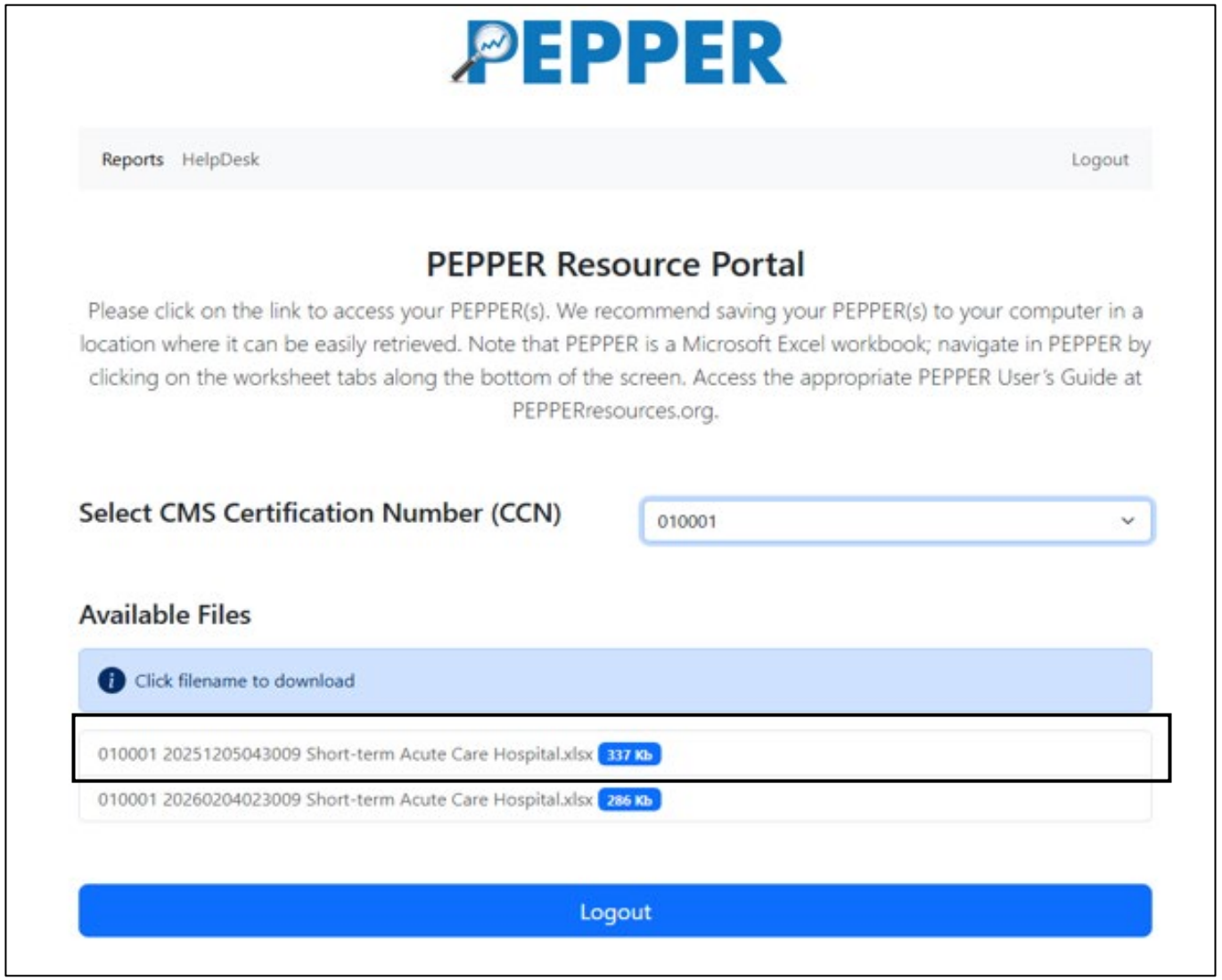
View and Download Your Available PEPPER



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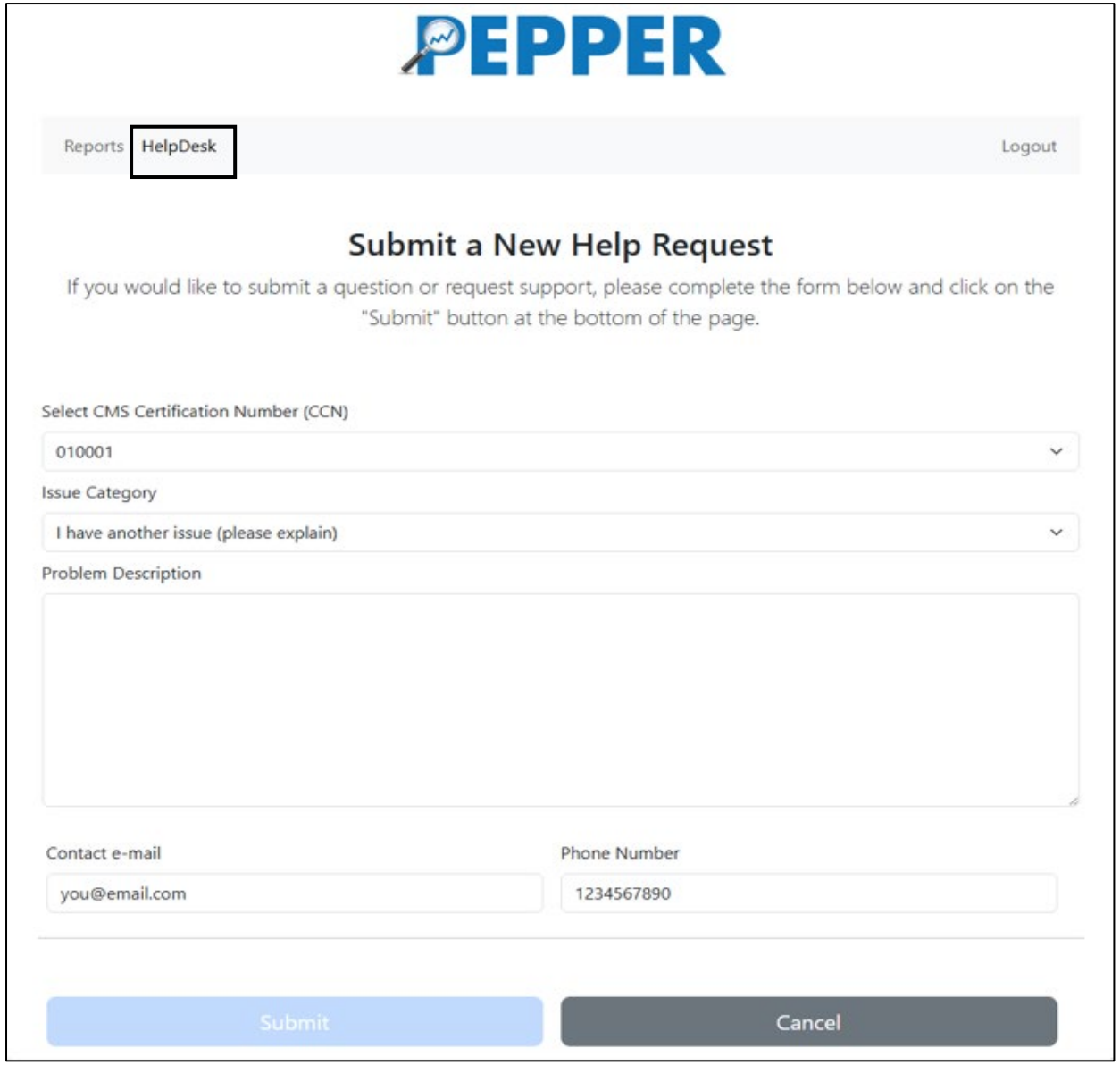
PEPPER Resources Portal Help Desk Request Form



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Questions & Answers

Call to Action

1. Complete the Webinar Feedback Survey
2. Register for the Staff End User (SEU) PEPPER Business Function
3. Download and Use Your PEPPER

This concludes our presentation. Thank you for joining us today!

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