

IRS Announces Indexing Factor to Calculate No Surprises Act's Qualifying Payment Amount for 2026

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IRS Notice 2025-65, 2025-47 I.R.B. 717

Available at <https://www.irs.gov/pub/irs-irbs/irb25-47.pdf>

The IRS has issued Notice 2025-65, setting forth the indexing factor to be used by group health plans and insurers to calculate the qualifying payment amount (QPA) under the No Surprises Act for items or services provided on or after January 1, 2026, and before January 1, 2027. As background, the No Surprises Act, enacted as part of the Consolidated Appropriations Act, 2021 (CAA, 2021), expanded patient protections to shield individuals from surprise bills for certain out-of-network emergency and non-emergency services, including certain air ambulance services. The QPA serves as the basis for calculating patient cost-sharing for items or services subject to the surprise billing provisions. It is also one of the factors considered by a certified independent dispute resolution (IDR) entity to determine which offer submitted by parties to a payment dispute best represents the out-of-network rate.

To calculate the adjusted QPA, the prior year's adjusted QPA is multiplied by the percentage increase for the most recent year. (The percentage increase from 2025 to 2026 is 1.0265311701.) To simplify the calculation, the notice provides cumulative percentage increases. To calculate the adjusted QPA for items and services furnished in 2026 using the cumulative percentage increase, the base year QPA (i.e., the QPA in the year it was first determined) is multiplied by the cumulative percentage increase for the year the base QPA originated. A plan or insurer may choose whether to use the cumulative percentage increase or the percentage increase, but the selected method must be applied consistently for all QPAs calculated for items and services furnished during 2026.

EBIA Comment: Those responsible for calculating QPAs on behalf of group health plans and insurers will need to take note of this guidance as they implement these complex rules for 2026. The table of cumulative percentages provided in the notice may help simplify the calculations. For more information, see EBIA's Health Care Reform manual at Section XII.B.3 ("Surprise Medical Billing: Emergency and Non-Emergency Services") and EBIA's Group Health Plan Mandates manual at Section XIII.B.3 ("Surprise Medical Billing (Emergency and Non-Emergency Services)"). See also EBIA's Self-Insured Health Plans manual at Section XIII.C.10 ("Patient Protections: Surprise Medical Billing for Emergency and Non-Emergency Services").

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