CAPITOL STREET

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Hospital Outpatient Pay Bump in 2027

Imaging Site-Neutral Is Expanded Significantly As IPO Phase Out Continues

Relevant Companies

Our Take & Next Up

The proposed CMS hospital outpatient rule is broadly favorable for proprietary hospitals (+10.3%), but also expands site-neutral payment policies and transparency reforms that could provide Congress with future healthcare savings opportunities. See proposed rule here. Comments are due by August 31, 2026, with the final rule due on or around Nov 1, 2026. New payments and policies would begin Jan 1, 2027. The proposal also advances CMS' site-neutral agenda by extending PFS-equivalent payment to additional imaging services furnished in excepted off-campus PBDs (provider based-departments) in line with our preview (here), while continuing the phase out of the IPO list.

Key Points

HOPD 2027

Hospital outpatient departments overall will see an update of +2.4% in 2027. This reflects the proposed hospital market basket percentage increase of +3.2% reduced by 0.8% point for the productivity adjustment. After accounting for all proposed payment policies, CMS estimates total OPPS payments to providers would increase by 1.9% (approximately $1.82 B).

For-profit hospitals would see a +10.3% update in 2027 (UHS, THC, HCA, ARDT, and others). Voluntary hospitals (private nonprofits) would see a +1.4% increase, and government hospitals would see a -1.3% decrease in 2027. Urban hospitals would see an update of +1.3%, while rural hospital outpatient departments would see a +5.9% increase.

CMS also proposes to increase the annual 340B remedy offset for non-drug items and services from 0.5% to 3% beginning in CY 2027, reducing payments to affected hospitals by approximately $2.3 B. Hospitals subject to the remedy (those billing Medicare before Jan. 1, 2018) would receive a 3 percentage point reduction in OPPS payments for non-drug items and services. CMS estimates approximately 3,270 hospitals would be subject to the offset, which would remain in place until the agency recoups the estimated $7.8 B in additional non-drug payments, currently projected to occur by 2031.

SITE-NEUTRAL REFORM GOES BEYOND

For 2027, CMS is proposing to include imaging without contrast services furnished in excepted off-campus PBDs, in line with our expectation that policies on imaging services would surface in this rule (our take here). The agency is extending its volume control authority building upon last year's finalization of site-neutral payments for drug administration services (our take here). CMS is now proposing to apply the same mechanism of using the PFS-equivalent rate to imaging without contrast services furnished at excepted off-campus PBDs.

While we previewed the four core imaging without contrast ambulatory payment classifications (APCs) (5521-5524), CMS also pulled in three composite APCs (pg. 55). These include:

- ultrasound (8004)
- computed tomography (CT) / computed tomographic angiography (CTA) (8005)
- magnetic resonance imaging and angiography (MRI/MRA) (8007)

Medicare would pay hospital-owned outpatient clinics the office rate instead of the hospital rate to reduce incentives to furnish the same imaging services in higher-paid hospital outpatient settings (NOTE: $7.8 B in Part B savings over ten). This policy is expected to save an estimated $260 M in CY27 savings and $7.2 B in net Part B savings from 2027-2036. The policy exempts rural sole community hospitals, using a similar carve-out pattern as past site-neutral proposals and clinics that count as "grandfathered" in a special exempt category.

Given the magnitude and scope of site neutral proposals, with ~$7 B/ten in savings, we could see CMS challenged during the comment period, for a softening of policies in the final rule. The significant savings from this policy proposal likely calls into question whether CMS can provide sweeping changes via rulemaking. Stakeholders will likely note the overreach, as legislation would likely be needed to make these changes.

INPATIENT ONLY (IPO) LIST

As part of the second phase of the three year transition, the agency proposes to remove 637 procedures from the IPO list, and add 618 codes to the ASC covered procedures list. The 637 procedures proposed for removal include auditory, digestive, endocrine, female genital, hemic/lymphatic, integumentary, male genital, maternity, mediastinum/diaphragm, respiratory, and urinary families, a broader expansion than phase 1 (~285 procedures, mostly ortho/musculoskeletal).

The remaining, most complex procedures will be phased in during the third and final year of the IPO phase out. In this rule, CMS notes that after CY27 removals, the remaining services are "more complicated in nature" and may require a longer review process changes to APCs before they can be appropriately assigned for outpatient payment.

340B ASP PAYCUT

CMS proposes cutting Medicare pay for 340B drugs to ASP-33.4%. As a reminder, drugs and biologicals are generally paid at ASP+6%, WAC+6%, or 95% of AWP. This is a steep pay cut to hospitals for 340B drug reimbursement and will reduce Medicare drug payment by $4.55 B and beneficiary drug payment costs by $1.15

B in 2027. 340B dependent hospitals are expected to be the most impacted as CMS intends to offset payment cuts with an increase in OPPS payments for non-drug services by an equivalent amount.

TRANSPARENCY

CMS also proposes new national provider identifier (NPI) requirements for off-campus provider-based departments (PBDs). Under the proposal, each off-campus PBD would be required to obtain a unique NPI and submit a standardized attestation confirming compliance with existing off-campus PBD requirements. CMS is also seeking comment on requiring providers to re-attest their compliance at least once every five years and proposes additional documentation requirements for health systems operating multiple off-campus PBDs.

The agency is requesting information on strengthening hospital price transparency requirements. CMS is seeking feedback on the standardization and comparability of machine-readable files, enhancing the accuracy and usability of consumer-facing price estimator tools and addressing how hospitals report complex negotiated payment arrangements, including outlier payments, stop-loss provisions, rate tiering, carve-outs and bundled services.

AMBULATORY SURGERY CENTERS

Surgery centers (ASC) would see a pay update of +2.4% in 2027. This is based on the proposed IPPS MB increase of 3.2% reduced by 0.8% for productivity adjustment.

- Musculoskeletal and nervous system win with a pay increase of 6%, and cardio follows with a 5% increase. Genitourinary receives a 1% increase but eye procedures see a decrease (-1%), for a second year in a row.

Other provisions:

- **Domestic supply chain RFI:** CMS seeks comment on establishing a separate IPPS (Inpatient Prospective Payment System) payment adjustment to support hospitals purchasing domestically manufactured PPE (personal protective equipment) and essential medicines.
- **Prior authorization:** CMS proposes adding botulinum toxin injection services to the OPD prior authorization program for dates of service beginning July 1, 2027.

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