CAPITOL STREET

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Imaging Site-Neutral Policy May Surface in Hospital Outpatient Rule

CMS Likely Acts As Congress Tees Up Legislative Reform 2027+

Relevant Companies

Our Take & Next Up

We believe Medicare's proposed CY 2027 Outpatient Hospital (OPPS) rule in late June/early July may include site-neutral reform pilots, and we look to imaging and radiation oncology (RadOnc) as potential policies. Given the hospital outpatient drug site-neutral policy implemented via CMS rulemaking for 2026, we think that new types of site-neutral may be forthcoming from the agency. CMS appears increasingly comfortable using its existing authority to narrow payment differentials between hospital outpatient departments and ASC/physician-office settings (here and here).

Changes to the Inpatient Only (IPO) list building on reforms from last fall (our take here) are equally impactful, as hospitals without robust ambulatory surgical center (ASC) networks may face more financial strain in the next few years. Despite strong bipartisan interest in site-neutral payment reform (our take here), legislative movement is unlikely before 2027 at the earliest.

Key Points

SITE-NEUTRAL IN IMAGING/RAD ONC

2023 MedPAC data shows Medicare pays significantly more for imaging services in a hospital outpatient setting than a freestanding office. MedPAC's June 2023 report (pgs. 360-362) identifies 66 APCs total as candidates for site-neutral payment alignment: 57 where OPPS/ASC rates would align down to Physician Fee Schedule (PFS) rates and 9 where OPPS would align with ASC rates. The report also reveals that four imaging without contrast codes (APCs 5521-5524) alone accounted for over $2.3 B in Medicare OPPS spending in 2021. These imaging codes are among the highest-value targets for rate alignment, and a likely focus of the upcoming OPPS rule.

Separately, CMS's recent crosswalk of radiation oncology payment rates suggests a possible corresponding OPPS provision for radiation therapy services. In the CY26 PFS rule, CMS finalized the use of use of routinely updated OPPS hospital data to set rates for certain technical services paid under PFS such as radiation treatment services, and remote monitoring (our take here).

The strongest clue that additional site-neutral policies may be forthcoming was not in drug administration itself, but in CMS's overhaul of practice expense methodology. CMS reduced indirect practice expense payments for facility-based services. CMS explicitly stated that decades-old assumptions about physician practice costs no longer reflect today's hospital-employed physician landscape.

CONGRESSIONAL ACTIVITY

Congressional appetite for site-neutral reform continues to build and hospitals are worried. At a recent E&C Health Subcommittee hearing (Reps. Guthrie, R-KY & Griffith, R-VA) on transparency, witnesses cited ASCs as ~36% cheaper than hospital outpatient departments. Oregon's hospital payment cap was also mentioned, which limited in-network hospital payments to 200% and saved over $100 M across two years. Such proposals would build on incremental steps CMS has already taken in the CY 2026 OPPS and PFS rules. As a reminder:

- **CMS expanded its off-campus provider-based department payment policy in the CY26 OPPS rule.** The policy capped drug administration services at the PFS rate (our take here).
- **CMS also finalized a change to its practice expense (PE) methodology in the CY26 PFS rule, which we saw as a "poke" at the often-criticized AMA RUC.** CMS modified its PE methodology by incorporating higher indirect cost rates for office-based doctors than for those in hospitals to reflect the trend of more doctors being employed by hospitals (our take here). AMA RUC is the American Medical Association Relative Value Scale Update Committee.

The *Consolidated Appropriations Act* (signed in Feb) allows CMS to evaluate NPI-specific data to guide site-neutral policy in the future. As a reminder, the legislation requires hospitals to obtain a separate NPI (national provider identifier) for each off-campus provider-based department, closing a longstanding visibility gap that has allowed acquired practices to bill under the parent hospital's NPI. Items and services must be billed under the new NPI beginning January 1, 2028 (our take here).

Congressional pressure on hospitals may eventually lead to legislative site-neutral adjustments, but any year-end package would likely be modest, and movement on site-neutral is more likely in 2027. We could see more transparency reforms move this year, including bills focused on hospital price posting, insurer overhead and claim denial disclosures, and Medicare Advantage encounter data, expanding the transparency push beyond hospitals (our take here).

- **Bipartisan members grilled health system CEOs on pricing and affordability at an April 28 House Ways & Means hearing (Chair Smith, R-MO).** While most witnesses resisted legislation on site-neutral, HCA's Sam Hazen acknowledged it as a real problem and committed to return to the committee within 30-60 days with specific site-neutral adjustment proposals. We would not be surprised to see bipartisan nonprofit tax-exemption proposals, as well as rural reclassification reform (our take here).
- **Nine bills on healthcare price transparency were discussed at a June 10 House Energy & Commerce Health Subcommittee hearing (Chair Griffith, R-VA).** Among the bills discussed included a discussion draft of the *Lower Costs, More Transparency Act*, which passed the House in 2023, but stalled in the Senate (our prior take here). Unlike the 2023 version, the discussion draft doesn't include site-neutral policies.

MEDPAC SUPPORTS SITE NEUTRAL

MedPAC discussions in December 2025 reaffirmed support for expanding site-neutral payments. Recall, MedPAC, the non-partisan commission that advises Congress, expressed support for expanding site-neutral payments in hospital outpatient departments, as we saw in Medicare's CY 2026 OPPS final rule (our take here).

Site-neutral policies supported by MedPAC include equalizing visits in on-campus HOPDs and targeting exempted provider based departments (PBD). PBDs that were furnishing services prior to Nov. 2, 2015 are considered to be "Excepted Off-Campus PBDs" and exempt from current site-neutral policies. Current site-neutral payment policies cover services in off-campus PBDs. As of Jan 1, 2026, drug administration services are subject to site-neutral payment policies.

WATCH IPO LIST IN OPPS (2027)

CMS will likely propose the next group of codes for elimination from the Inpatient Only (IPO) List. In the final CY 2026 OPPS rule, CMS finalized the proposed phased elimination of the IPO list over three years (Jan. 1, 2029).

- The initial phase of the policy removed roughly 285 procedures, including 269 orthopedic and musculoskeletal services and 16 procedures across cardiovascular, lymphatic, digestive, gynecologic, and endovascular specialties (our take here).
- The change further advances Medicare's effort to move appropriate surgical procedures into lower-cost outpatient settings, including hospital outpatient departments and ASCs.

Eliminating the IPO list shifts responsibility to physicians to decide the most appropriate care setting for the beneficiary (inpatient or outpatient). Hospitals without well-developed ASC networks could face substantial financial headwinds by the end of the decade due to this policy. Recall, the Trump administration tried to eliminate the IPO list in 2021, but backed down in the final rule.

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