Analysis Description

The calendar year (CY) 2027 Medicare Outpatient Prospective Payment System (OPPS) Proposed Rule Analysis is intended to show providers how Medicare outpatient fee-for-service (FFS) payments may change from CY 2026 to CY 2027 based on the policies set forth in the CY 2027 OPPS proposed rule.

CY 2027 OPPS Proposed Rule Changes Modeled in This Analysis:

- Market Basket Update: 3.2% market basket increase to the outpatient rate.
- ACA-Mandated Market Basket Adjustment: -0.8 percentage point productivity adjustment to the market basket authorized by the Affordable Care Act (ACA) of 2010.
- 340B Remedy Offset: -2.93% adjustment to the rate to recoup payments made under the 340B drug payment reduction policy during CYs 2018–2022. Providers subject to this adjustment are identified in Addendum R of the CY 2027 OPPS proposed rule.
- 340B Acquired Drugs Budget Neutrality +8.44% adjustment to the outpatient rate for the drugs purchased under the 340B program.
- Budget Neutrality Adjustments: Reflects the impact of adjustments to the rate based on changes to the wage index (+0.98%), 5% stop loss and transition wage index (-0.49%), cancer hospital payments (-0.06%), cost of living adjustment (COLA) (-0.07%), removal of N95 Budget Neutrality (+0.01%), as well as pass-through spending/outlier payments (+0.12%), and other budget neutrality in order to maintain program budget neutrality.
- Wage Index (Removal of Previous Rural Floor Budget Neutrality): Removal of the previous rural floor budget neutrality from the previous year wage index.
- Wage Index (Removal of Previous Rural Floor Wage Index): Removal of the rural floor from the previous year wage index, resulting in a wage index with no adjustments.
- Wage Index (Change due to Wage Index and Labor Share prior to rural floor): Updated wage index values based on the federal fiscal year (FFY) 2027 Inpatient PPS (IPPS) proposed rule hospital wage indexes compared to the FFY 2026 IPPS final rule hospital wage indexes, including the impact of new wage data, reclassifications, rural and legislated floors, and other adjustments to the wage indexes. This value does not include the CMS increase to the wage index of hospitals eligible for the 5% wage index stop loss, the wage index transition, nor the rural floor adjustments.
- Wage Index (Current Rural Floor Wage Index Added): The current year wage index with the addition of the rural floor adjustments. This budget neutrality is from the FFY 2027 IPPS proposed rule and is applied directly to the wage index.
- Wage Index (Current Rural Floor Budget Neutrality Added): The current year wage index with the addition of the rural floor budget neutrality.
- Wage Index (5% Stop Loss): 5% stop loss cap for hospitals whose CY 2027 wage index that was less than 95% of what it was for CY 2026. This also includes the transitional, budget-neutral wage index stop loss for providers

who were eligible for the low wage index policy in FFY 2024 and whose FFY 2027 wage index is less than 90.25% of their FFY 2024 wage index.

- Change in COLA: Payment changes due to the change in the COLA to the nonlabor share portion of OPPS payment.
- Change in Rural Adjustment: Payment changes due to the change in the rural status of provider.
- Ambulatory Payment Classification (APC) Factor/Updates: This impact represents the changes to the APC assignments and weights proposed for CY 2027. It is inclusive of CMS' policies regarding the creation of comprehensive APCs, the expansion of the categories of items/services that are packaged into APCs for payment as opposed to separately paid, and the anticipated change in outlier payments. This impact is derived by attributing all remaining payment changes to this category (after impact for wage index, market basket, etc.).
- 340B Acquired Drugs at Average Sales Price (ASP)-33.4%: Reflects the estimated impact of paying for drugs acquired through the 340B program at ASP-33.4%. This policy does not apply to rural sole-community hospitals (SCHs), PPS-exempt hospitals and children's hospitals. This line is a subset of the APC Factor/Updates line.
- Site Neutral Off-Campus Provider-Based Department (SN Provider Based Department (PBD) Imaging without Contrast: Reflects the estimated impact of setting OPPS payments for imaging without contrast services provided at off-campus PBDs equivalent to the Medicare Physician Fee Schedule payment rate. This reduction does not apply to payments made to rural SCHs. This line is a subset of the APC Factor/Updates line.

The impacts in the analysis do not include the impact of the sequestration reduction to all lines of Medicare payment authorized by Congress to end in FFY 2033. The impact of the sequester applicable to OPPS-specific payment has been calculated separately and is provided below the impact table. The impact estimate of not meeting requirements for the Outpatient Quality Reporting Program has been calculated separately and is also provided below the impact table.

The second tab of the report lists a hospital's highest (up to 25) Medicare FFS APCs, ranked by difference from year to year in unadjusted payment impacts. Payments are not calculated for procedures that CMS did not provide a payment for in the CY 2024 100% Medicare FFS Outpatient Standard Analytic File (SAF) limited data set (LDS). In addition, payments for subsequent surgical procedures on the same claim have been discounted. However, volumes are inclusive of all procedures performed, regardless of payment. Therefore, volumes multiplied by wage index adjusted APC amounts may not always equal total payments.

Data Sources

Except where otherwise mentioned, hospital characteristics, outpatient procedure volumes, and estimated CYs 2026 and 2027 outpatient revenues are from the CY 2027 OPPS proposed rule Impact File, which utilizes CY 2025 outpatient claims data. OPPS conversion factors are from the CY 2026 final rule and the CY 2027 proposed rule. Wage indexes are based on the wage index tables from the FFYs 2026 IPPS final rule and 2027 IPPS proposed rule.

The impact of CMS' wage index policies is calculated using the FFY 2026 IPPS final rule and FFY 2027 IPPS proposed rule wage index tables.

Data for the top APCs are from the CY 2024 Medicare FFS 100% Outpatient SAF LDS. APC weights are from Addendum A of the CY 2026 OPPS final rule and CY 2027 OPPS proposed rule, while payments are wage index adjusted when appropriate and include copayments. When an APC does not have a relative weight, the payment

rate from the CY 2026 OPPS final rule or CY 2027 OPPS proposed rule Addendum A is used instead, as applicable. Hospital characteristics are from the CY 2026 OPPS final rule and CY 2027 OPPS proposed rule impact files. APCs and descriptions are from the CY 2027 OPPS proposed rule Addendum B. APC amounts may not always equal total payments. APCs with case counts less than 11 have been removed due to CMS' privacy rules.

Impacts for providers subject to the 340B remedy offset are based on those listed in Addendum R of the CY 2027 OPPS proposed rule.

The SN PBD Imaging without Contrast adjustment is based on the CY 2024 Medicare FFS 100% Outpatient SAF LDS. Revenues exclude those received through sources outside the OPPS and are used to determine an estimated impact of this policy, based on a subset of OPPS services with modifier "PO" belonging to the applicable drug administration APCs in Addendum A of the CY 2025 OPPS final rule (APCs 5691–5694).

This analysis was developed to measure the impact of OPPS policy changes only. Hospital volume and patient mix are held constant at the values published in the CY 2027 OPPS proposed rule.

Methods

Calculating Impacts by Component Change

The dollar impact of each component change has been calculated starting with estimated CY 2026 outpatient payments as provided by CMS in the CY 2027 OPPS proposed rule Impact File. Estimated CY 2026 outpatient payments include outliers and the rural SCH add-on, where appropriate. CMS does not specify if 340B remedy offset adjustments are included in the estimated CY 2026 outpatient payments for applicable providers, but this analysis assumes that they are.

For each outpatient payment change component analyzed the percentage change from CY 2026 to CY 2027 is calculated and applied to estimated CY 2026 payments. Generally, the percentage impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the percent change due to the market basket update is applied to total CY 2026 payments. Then, the percent change in the ACA-mandated market basket reduction is applied to the dollar result of the first change. This method continues for the remaining changes, creating a compounded effect. The difference between the results after each layered component is the impact of that component.

For changes to the OPPS rate and wage index, CY 2026 payments and volumes provided by CMS are divided into two parts based on the revenue and volumes from the CY 2024 100% Medicare FFS Outpatient SAF LDS claims data in order to avoid applying market basket and wage index updates to payments not based on the OPPS conversion factor. The first part is made up of those services to which payment is based on the OPPS rate and is then adjusted by the changes to that rate and the wage index. The second part is made up of portion of those services for which payment is made outside of the rate (e.g., drugs paid at ASP+6%), which is held constant until changes to case mix and outliers are calculated. The percentage change for updates only applied to the conversion factor services in the analysis will vary based on the amount of conversion factor services a hospital provides relative to non-conversion factor services and therefore may differ from what CMS proposed.

Based on the limitations of CMS' CY 2027 OPPS proposed rule Impact File, an "APC Factor/Updates" adjustment factor is calculated and used to estimate the value of payment changes that cannot be broken out by individual component. This hospital-specific factor/impact is derived by dividing total payments by the wage index and SCH add-on-adjusted conversion factor. The result of the first calculation is divided by the Medicare service count provided in the OPPS CY 2027 proposed rule Impact File. This factor impact represents the impact of changes to the APC assignments and weights and the outlier threshold.

Individual percentages and dollars shown in this analysis may not add to total due to compounding and rounding. Dollar amounts less than $50 and percentages less than 0.05% will appear as zeros due to rounding.

This analysis does not include payment estimates for services provided to Medicare Advantage patients or modifications in FFS payments as a result of provider participation in new payment models being tested under

Medicare demonstration/pilot programs. Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.

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