

CMS Releases Outpatient Rule with Proposed 340B and Site-Neutral Cuts

On July 2, the Centers for Medicare and Medicaid Services (CMS) released its proposed 2027 outpatient rule with an overall payment increase of 2.4%, but included several concerned provisions impacting 340B, site-neutral payments and the inpatient only list, among others.

Following the proposed rule's release, the American Hospital Association issued a statement saying they are "deeply concerned" about the outpatient rule provisions that would reduce 340B reimbursement rates by a "shocking" 33.4%. WHA continues to analyze and quantify the proposed rule's impact on Wisconsin hospitals, as we prepare to join AHA in pushing back against these cuts that threaten hospitals in rural and urban Wisconsin communities.

CMS proposes to reduce Medicare reimbursements for 340B prospective payment system (PPS) hospitals that are not PPS-exempt cancer hospitals, sole community hospitals or children's hospitals. Instead of the current reimbursement of the average sale price (ASP) + 6%, CMS proposes a reimbursement amount of ASP minus 33.4%. This is an estimated reduction of \$4.85 billion to 340B hospitals that would be applied in a budget-neutral manner, meaning it would be reabsorbed into overall hospital outpatient prospective payment system (OPPS) payments. CMS says it has collected enough data, as required by statute and enforced in the Supreme Court decision that ruled previous 340B cuts attempted by CMS in the 2018 OPPS rule were unlawful.

In addition to these 340B reimbursement cuts, CMS proposes accelerating the recoupment of hospital payments that went out due to those previously ruled unlawful 340B cuts implemented in the 2018 OPPS rule. The agency had previously finalized a recoupment strategy recouping the full \$7.8B in payments from 2026-2042. The new timeline would fully recoup these payments by 2029.

Expanding site-neutral payments for imaging services without contrast provided at off-campus hospital outpatient departments (HOPDs) is also being proposed by CMS. The agency is relying on similar authority used in the 2019 OPPS rule to implement site-neutral payments to clinic visit services (Emergency and Management or E&M codes) and in last year's 2026 OPPS site-neutral cuts for drug administration services. These changes would pay hospitals 40% of the OPPS payment rate, which CMS estimates to be the "physician equivalent" rate. WHA has advocated against such cuts, which do not take into consideration higher costs hospitals face for providing care 24/7, differentiating them from services provided at physician offices. CMS will again apply these cuts in a non-budget-neutral manner and estimates the impact to be a reduction in hospital payments of about \$260 million in 2026.

CMS is also implementing legislation previously passed by Congress requiring off-campus provider-based departments to have separate National Provider Identifiers (NPIs) by proposing to use an attestation process.

Continuing a policy to phase out the Inpatient Only list, which the agency began in the 2026 OPPS rule, CMS proposes to remove an additional 637 of the roughly 1,438 services currently remaining on the list.

The proposed rule also includes a request for information (RFI) on price transparency, including:

- What additional information and/or standardization of provider-payer contract terms would improve the usability and utility of the machine-readable files?
- Should there be greater standardization of the shoppable services displayed by hospitals?
- Should CMS consider removing the ability of hospitals to use price estimator tools to comply with the shoppable services requirement?

In addition to these significant policy proposals, CMS proposes updates to the Outpatient Quality Reporting Program's data validation process. These updates would reduce reporting burden by requiring fewer hospitals and fewer cases to undergo validation while supporting the evaluation of a broader set of quality measures. The proposal would also expand validation activities to include electronic clinical quality measures (eCQMs). This change reflects the agency's ongoing transition away from manual chart abstraction and toward digital quality measurement, with increased emphasis on the accuracy and integrity of electronically reported quality data.

CMS also proposes changes to the Overall Hospital Quality Star Rating methodology that would increase the influence of the Safety of Care measure group. By giving greater weight to patient safety measures, CMS aims to ensure that Star Ratings more strongly reflect hospitals' performance in preventing patient harm and delivering safe, high-quality care.

WHA will continue to evaluate this rule in anticipation of the August 31 comment deadline.

IN THIS ISSUE

- Wisconsin Hospitals Lead the Nation in Patient Ratings for Nurse Communication
- Eligible Rural Health Clinics Invited to Apply for First Round of Rural Technology Transformation Grants
- CMS Releases Outpatient Rule with Proposed 340B and Site-Neutral Cuts
- Registration Now Open for WHA's 2027 Health Care Leadership Academy
- Fast Facts from the WHA Information Center: Summertime Injuries

EDUCATION EVENTS

Jul. 13, 2026

EMTALA Regulatory Series: Part Two

Jul. 21, 2026

Culture College – Breakthrough Strategies for Creating and Sustaining a Magnetic Culture

Jul. 27, 2026

EMTALA Regulatory Series: Part Three