Summary of the CY 2026 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Proposed Rule (CMS-1834-P)

TO: SHC Clients

July 15, 2025

Overview
CMS today released their CY26 Hospital OPPS and ASC proposed rule. There are many significant changes. The following is a summary and there are links at the end of the memo to more detailed information from CMS.

The comment period ends September 13, 2025

Payment Rate Updates
CMS proposes a 2.4% payment rate increase for both OPPS and ASC providers that meet quality reporting requirements. This reflects a 3.2% market basket increase, offset by a 0.8 percentage point productivity adjustment.

Volume Control in Excepted Off-Campus Provider-Based Departments (PBDs)
CMS proposes to expand the site-neutrality policy by applying the Physician Fee Schedule-equivalent payment rate to drug administration services in excepted off-campus PBDs, reducing OPPS spending by an estimated $280 million.

Inpatient Only (IPO) List Phase-Out
CMS proposes to remove 285 musculoskeletal procedures from the IPO list in 2026, initiating a 3-year phase-out to expand outpatient procedure options and reduce out-of-pocket costs for beneficiaries.

Two-Midnight Rule Exemptions
Procedures removed from the IPO list would continue to be exempt from certain medical review activities under the two-midnight policy until CMS determines they are predominantly outpatient services.

ASC Covered Procedures List Expansion
CMS proposes adding 547 procedures to the ASC Covered Procedures List—276 new based on updated criteria and 271 that align with the IPO list removals.

340B Remedy Payment Adjustment
CMS proposes increasing the OPPS conversion factor reduction from 0.5% to 2% (beginning CY 2026) for non-drug items and services to recover $7.8 billion in prior overpayments. Recovery would be completed by CY 2031.

Skin Substitutes Policy Revision
CMS proposes to unpackage skin substitutes from application services and establish new APCs based on FDA regulatory status (361 HCT/P, PMA, 510(k)) with uniform payment rates for 2026 and differentiated rates thereafter.

Software as a Service (SaaS)
CMS is soliciting public comment on developing a comprehensive payment policy for software-based clinical decision tools used in outpatient settings.

Acquisition Cost Survey for OPPS Drugs
CMS will conduct a survey of hospital acquisition costs for separately payable outpatient drugs to inform CY 2027 rate setting.

Market-Based MS-DRG Weight Proposal
CMS proposes using hospital-reported median payer-specific charges from Medicare Advantage as a basis for inpatient relative weights and seeks input on extending this methodology to other payment systems.

Graduate Medical Education (GME) Accreditation Policy
CMS proposes that accrediting bodies must comply with federal law and not require or encourage discriminatory DEI policies. The rule also enables certifying new accreditors to promote competition.

ASC Market Basket Extension
CMS proposes continuing the use of the hospital market basket for ASC payment updates through CY 2026, while monitoring service migration patterns post-COVID.

Non-Opioid Pain Treatment Incentives
CMS proposes continued additional payments through 2027 for select non-opioid pain relief drugs and devices in OPPS and ASC settings. New qualifying drugs and devices are proposed for CY 2026.

Add-On Payment for Domestically Produced Tc-99m
CMS proposes codifying a $10 add-on payment for Tc-99m doses made from U.S.-produced Mo-99, including a new HCPCS code and eligibility criteria.

Hospital Price Transparency Modifications
CMS proposes enhanced price transparency rules effective Jan 1, 2026, including percentile reporting, use of EDI 835 data, attestation by executives, and reduced penalties for early compliance.

Intensive Outpatient Program (IOP) Payment Update
CMS proposes maintaining two-tiered payment for IOP services (3 or ≥4 services per day) and modifying CMHC rates to 40% of hospital rates to resolve cost inversions.

Partial Hospitalization Program (PHP) Update
CMS proposes to maintain current PHP structure and adopt the same CMHC methodology adjustment used for IOP.

Hospital Outpatient Quality Reporting (OQR) Updates
CMS proposes to adopt one new eCQM (Emergency Care Access & Timeliness), remove five existing measures (including HCHE and COVID-19 vaccination), and revise the extraordinary circumstances policy.

Rural Emergency Hospital Quality Reporting (REHQR) Updates
CMS proposes similar updates to REHQR as to OQR, including adoption of one new eCQM, removal of three measures, and a revised extraordinary circumstances policy.

Ambulatory Surgical Center Quality Reporting (ASCQR) Updates
CMS proposes adopting one new PRO-based measure for understanding recovery information, removing four existing measures (including FCHE and SDOH screening), and updating the extraordinary circumstances policy.

Quality Reporting Request for Information (RFI)
CMS seeks public input on well-being and nutrition measures related to emotional, social, and lifestyle factors.

Hospital Star Ratings Update
CMS proposes a two-stage modification to the Overall Star Rating methodology. Stage 1 (CY 2026) caps hospitals in the lowest quartile of Safety of Care to four stars. Stage 2 (CY 2027+) reduces such hospitals' ratings by one star.

Regulatory Burden RFI
CMS is seeking public comments through a separate RFI on how to streamline Medicare regulations and reduce administrative burdens. Comments should be submitted via https://www.cms.gov/medicare-regulatory-relief-rfi.

Click here for a CMS fact sheet with more summarized details.
Click here for the actual rule in the federal register.

We will provide more updates on various portions of this proposed rule in the coming weeks. Don't hesitate to contact us for additional information. Thank you.

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