

Report: Skin graft Medicare spending estimated to surpass \$15B this year

New data shows spending on the pricey treatments continues to go up as a potential CMS crackdown looms.

By: Robert King | 10/23/2025 05:00 AM EDT

Medicare spending on pricey skin substitutes this year is expected to balloon about 50 percent – from \$10 billion in 2024 to more than \$15 billion by the end of 2025, new data shows.

The data, published exclusively by POLITICO Thursday, was compiled by the National Association of Accountable Care Organizations and examines a surge in spending that some doctor groups have called fraudulent. It comes as the Trump administration has proposed a major change to reimbursement for the wound care treatments – and the industry is pushing back.

“Every day that passes, Medicare loses millions to wasteful spending,” said Emily Brower, president and CEO of NAACOS. “CMS must act now to stop this patient harm and protect the future of accountable care.”

NAACOS examined Medicare spending on skin graft products for Medicare Part B, which reimburses doctors for drugs or treatments delivered in a doctor’s office such as chemotherapy.

In the first half of 2025, Medicare spent \$7.7 billion on the skin substitutes, which mimic human skin and are used to treat ulcers or other diseases, the association said. It estimates Medicare will spend another \$7.7 billion for the second half of 2025, because there are no new regulations to slow it down.

Medicare spent \$9.9 billion in 2024, a massive increase from \$1.6 billion in 2022, according to NAACOS.

The dramatic spikes have alarmed doctor groups known as accountable care organizations, which are responsible for managing Medicare costs for their patients. Some ACOs maintain that some of the spending has been fraudulent, driven by high reimbursement costs.

Patients are able to get skin substitutes from other providers, such as a mobile clinic or hospice, outside of their ACOs. This makes it difficult for ACOs to spot and contain the spending. ACOs have a vested interest in controlling Medicare spending. They agree to meet a certain spending target and get a share of savings but must repay Medicare if they go over.

ACOs have reported patients getting far more skin substitutes than medically necessary. For instance, one ACO told POLITICO earlier this year that one provider billed 50 square centimeters for a wound that would normally require one.

Several other ACOs said it is not uncommon to see a patient with more than \$1 million in claims for the products.

CMS is attempting to fix the problem. It proposed reclassifying skin substitutes under Medicare to lower reimbursement to \$125 per centimeter as part of a larger physician payment rule.

The proposed reimbursement change is expected to be finalized in the next few weeks.

But wound care manufacturers are pushing back hard.

The MASS Coalition, a collection of wound care companies, said in comments to the proposed rule that the change will dramatically affect the industry. The group said the proposed payment rate “does not cover the many costs incurred by manufacturers to deliver these products to providers who administer them to patients.”

The costs can include processing, manufacturing and distribution.

“From a practical business standpoint, manufacturers will not sell skin substitutes at a loss, and treating providers will not purchase skin substitutes if the reimbursement amounts are insufficient to cover the purchase price for the products,” the comments said.

The group said in a statement that the proposed reimbursement change would lower spending on skin substitutes but “doesn’t address fraud and will end up costing Medicare more as patients end up with long-term hospital stays instead of simple outpatient procedures.”

MASS Coalition spent \$340,000 on lobbying in 2025 as of the end of the third quarter of this year, according to the latest federal disclosure reports. The group spent \$350,000 last year on lobbying.

The issue has caught the attention of Capitol Hill as well.

Rep. Buddy Carter (R-Ga.) introduced a bipartisan bill Wednesday that sets a payment limit based on historic average prices. Is there a number attached?

The legislation is a companion to a bill Sen. Bill Cassidy (R-La.) introduced back in August. Neither bill has advanced in its respective chamber.

CMS Administrator Mehmet Oz highlighted the rise in skin substitute spending as an issue during a Committee for a Responsible Federal Budget event Wednesday. He said the agency is looking into the issue as well as other areas of fraud.

“Nobody wants our most vulnerable population ... to be victimized by fraudsters,” he said.