STRATEGIC HEALTH CARE

Executive Summary: CY 2027 Medicare OPPS/ASC Proposed Rule

CMS-1850-P | Issued July 2, 2026 |

Status: Proposed rule, not final policy. The annual OPPS rule applies to calendar year 2027, although sometimes described as the FY27 outpatient rule.

1. Major 340B Drug Payment Reduction — Principal Financial Exposure

CMS proposes to reduce Medicare payment for separately payable drugs purchased through the 340B Drug Pricing Program from average sales price (ASP) plus 6% to ASP minus 33.4%, a 39.4-percentage-point reduction in the ASP-based payment formula. The proposed methodology follows CMS's January–April 2026 hospital drug acquisition cost survey. CMS estimates that first-year payments for 340B drugs would fall by $4.55 billion for Original Medicare and $1.15 billion for beneficiaries, or $5.70 billion combined.

CMS proposes a budget-neutral offset (about 8.4%) that raises payments for non-drug OPPS services. This redistribution does not mean individual 340B hospitals will be made whole: net effects depend on each hospital's mix of 340B drugs and other outpatient services.

Separately, CMS proposes accelerating the 340B remedy recoupment adjustment on non-drug OPPS services from 0.5% to 3% annually beginning in 2027, with the $7.8 billion target reached by an estimated 2029 rather than over a much longer period. The adjustment excludes hospitals that enrolled in Medicare after January 1, 2018. This is a distinct policy from the new 340B drug reimbursement reduction, and both must be reflected in financial forecasts.

2. Off-Campus Imaging: Expansion of Site-Neutral Payments

CMS proposes paying for imaging without contrast in excepted (grandfathered) off-campus provider-based departments at the Physician Fee Schedule-equivalent rate rather than the full OPPS rate. The proposal applies to HCPCS codes assigned to imaging-without-contrast ambulatory payment classifications, not to every imaging service or every hospital outpatient department. Rural Sole Community Hospitals would be exempt.

CMS estimates approximately $260 million in first-year Medicare Part B expenditure reductions, including approximately $190 million in program savings and $70 million in reduced beneficiary premiums; beneficiary cost sharing would decline by an additional estimated $70 million. Health systems should inventory grandfathered off-campus imaging sites, assess service-specific margins and referral patterns, and evaluate location, ownership, and operating implications before making capital decisions.

3. General Outpatient and ASC Payment Updates

For hospitals meeting outpatient quality reporting requirements, CMS proposes a 2.4% OPPS rate update, reflecting a projected 3.2% hospital market basket increase less a 0.8-percentage-point productivity adjustment. CMS also proposes a 2.4% ASC update for qualifying facilities. These headline increases should not be interpreted as the net revenue impact for a given hospital, particularly where 340B, site-neutral imaging, case mix, wage index, and remedy adjustments apply.

4. Inpatient-Only List and Ambulatory Surgery Migration

CMS proposes continuing its three-year phaseout of the inpatient-only list, removing hundreds of additional procedures in 2027. The change would allow Medicare outpatient payment when outpatient care is clinically appropriate; it does not mandate outpatient treatment. CMS also proposes further expansion of the ASC covered procedures list. Health systems should evaluate surgical service lines, physician alignment, capacity and the relative economics of hospital outpatient departments versus ASCs.

5. Hospital Outpatient Quality, Safety and Star Ratings

CMS proposes revising the Overall Hospital Quality Star Rating methodology to place greater emphasis on the Safety of Care measure group. It also proposes modifications to outpatient and ASC quality reporting, including removal of the Appropriate Follow-Up Interval for Normal Colonoscopy in Average Risk Patients measure beginning with the 2027 reporting period/2029 payment determination, and changes to validation procedures. Failure to satisfy outpatient reporting requirements continues to carry a two-percentage-point reduction in the annual OPPS update.

6. Other Operational and Regulatory Proposals

Price transparency: CMS requests comment on strengthening consistency, comparability, and usability of hospital machine-readable pricing files and consumer-facing displays. These are requests for information rather than newly finalized transparency obligations in this proposal.

Behavioral health: CMS proposes updating payment rates for hospital and community mental health center intensive outpatient and partial hospitalization programs, while retaining the established rate-setting structure.

Compliance: CMS proposes allowing accrediting organizations to review EMTALA administrative requirements during routine surveys, while CMS and OIG retain enforcement of substantive patient-care protections. CMS also proposes prior authorization for eight additional botulinum toxin injection codes in hospital outpatient departments.

Geographic adjustment: CMS proposes a budget-neutral cost-of-living adjustment to the nonlabor OPPS share for hospitals in Alaska and Hawaii.

Primary CMS Sources

CMS, “Calendar Year 2027 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Proposed Rule (CMS-1850-P),” July 2, 2026. https://www.cms.gov/newsroom/fact-sheets/calendar-year-2027-hospital-outpatient-prospective-payment-system-opps-ambulatory-surgical-center

CMS proposed regulatory text: 91 FR 41733, July 7, 2026, document 2026-13656. https://www.federalregister.gov/d/2026-13656