Niskanen Center

August 27, 2026

The Honorable Mehmet Cengiz Oz, Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
7500 Security Boulevard, Mail Stop DO-01-40
Baltimore, Maryland 21244-1850

Re: CY 2027 Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems (CMS-1850-P)

Dear Administrator Oz,

The Niskanen Center is grateful for the opportunity to comment on the Centers for Medicare and Medicaid Services (CMS) 2027 proposed rule to revise the Medicare Hospital Outpatient Prospective Payment System (OPPS) and the Ambulatory Surgery Center (ASC) payment systems.

The Niskanen Center is a nonprofit organization that advocates for public policies that foster innovation, competition, and effective governance. In accordance with that mission, we support regulatory efforts to expand access to lower-cost healthcare options. Across the healthcare industry, market distortions restrict the availability of lower-cost care and increase costs for patients and taxpayers without adding commensurate quality improvements.

We applaud the agency for its continued work to give patients and taxpayers more value for their dollars by shifting spending away from high-cost hospital settings and toward non-hospital clinics. Because non-hospital settings often deliver the same or better quality of care at lower cost, this shift would reduce market distortions in the Medicare program by prioritizing high-value, low-cost care in the appropriate setting. In this comment, we will focus on two proposals the agency should ensure are included in the final rule:

1) Expanding the site-neutral payment policy for imaging services without contrast in Excepted Off-Campus Provider-Based Departments (PBDs)
2) Continuing to eliminate the Inpatient Only (IPO) list and adding procedures to the Ambulatory Surgery Center Covered Procedures List (ASC CPL)

Expanding the site-neutral payment policy for imaging services without contrast in Excepted Off-Campus Provider-Based Departments (PBDs)

For 2027, CMS proposes to implement site-neutral payment for imaging services without contrast such as MRIs, CT scans, and other diagnostic tests in "excepted" off-campus provider-based departments (PBDs).[1] This would ensure that Medicare payments for imaging services are the same regardless of where they're performed. There is no evidence that hospital ownership improves imaging quality, despite substantially higher prices.

This builds on an earlier expansion of site-neutral payment for drug administration services in the 2026 OPPS final rule, which Niskanen Center research showed could be saving certain cancer patients over $1,000 in out-of-pocket costs this year.[2] That effort follows the implementation of site-neutral payment for clinic visits provided in excepted off-campus HOPDs after the 2019 OPPS final rule.[3]

Niskanen's analysis of 2026 rates for selected imaging services not currently subject to site-neutral payment demonstrates the need for intervention on behalf of beneficiaries and taxpayers. Across different service codes, hospital clinic prices exceed physician office prices for every imaging service. The price of a breast ultrasound performed in a hospital facility is $120, compared with $84 in a physician's office. The highest volume imaging service in the targeted category — a bone density scan to diagnose osteoporosis — is nearly 3 times more expensive in a hospital clinic than in a physician's office. A heart scan — a higher-complexity imaging service — is $429 more in a hospital clinic than in a physician's office.

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[1] SCP Radiology. n.d. "Tricky Terms Explained: Non-Contrast vs Contrast CT Scan." *Radiology Explained*. https://www.scp.co.za/radiology-explained/non-contrast-vs-contrast-ct-scan-whats-the-difference/.

[2] Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS). 2025. *2026 Medicare Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Final Rule*. Federal Register 2025-20907 (90 FR 53448). https://www.federalregister.gov/documents/2025/11/25/2025-20907/medicare-program-hospital-outpatient-prospective-payment-and-ambulatory-surgical-center-payment; Mehta, Sage. 2026. "How Site-Neutral Payment Policies Can Save Money for Cancer Patients and the Chronically Ill." *Niskanen Center*, January 15. https://www.niskanencenter.org/how-site-neutral-payment-policies-can-save-money-for-cancer-patients-and-the-chronically-ill/; Mehta, Sage, and Lawson Mansell. 2025. "Estimating Out-of-Pocket Savings From Medicare Site-Neutral Payments on Colon, Lung, Ovarian, and Prostate Cancer Patients." *INQUIRY: The Journal of Health Care Organization, Provision, and Financing* 62 (September): 00469580251401460. https://doi.org/10.1177/00469580251401460.

[3] Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS). 2018. *2019 Medicare Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Final Rule*. Federal Register 2018-24243 (83 FR 58818). https://www.federalregister.gov/documents/2018/11/21/2018-24243/medicare-program-changes-to-hospital-outpatient-prospective-payment-and-ambulatory-surgical-center#p-1632.

CMS estimates that this change will reduce Medicare Part B expenditures by $260 million in the first year alone, with $190 million in Part B savings and $70 million in reduced premiums, as well as an additional $70 million in savings for patients through reduced cost-sharing.[4]

With sharpened public and policymaker focus on the costs of consolidation of the healthcare industry, there is also growing recognition of how site-of-service pricing differentials incentivize and influence large hospital systems' business decisions. There is mounting evidence of large hospital systems buying up independent physician practices, with an eye toward imaging services.[5] Imposing site-neutral payments for imaging services could therefore curb hospital acquisition of freestanding imaging clinics by eliminating the financial incentive to consolidate, preserving a competitive market and keeping prices down.

CMS should build on this proposal by advancing comprehensive site-neutral payment reform to reduce unnecessary spending in the Medicare program, alleviate cost burdens on patients, and minimize the financial incentives for hospital consolidation. We are also supportive of CMS' efforts to codify and implement the new national provider identifier (NPI) requirements included in the Consolidated Appropriations Act of 2026, providing a useful lever to facilitate enforcement of site-neutral policies and paving the way for fairer billing in the Medicare program.[6]

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[4] Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS). 2026. *Calendar Year 2027 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Proposed Rule (CMS-1850-P)*. July 2. https://www.cms.gov/newsroom/fact-sheets/calendar-year-2027-hospital-outpatient-prospective-payment-system-opps-ambulatory-surgical-center.

[5] Khunte, Mihir, Nandita Radhakrishnan, Christopher Whaley, and Yashaswini Singh. 2025. "Association of Private Equity and Hospital Consolidation and Negotiated Prices of Radiologic Services." *Journal of the American College of Radiology* 22 (11): 1380–87. https://doi.org/10.1016/j.jacr.2025.07.008; Carol K. Kane. 2021. *Recent Changes in Physician Practice Arrangements: Private Practice Dropped to Less Than 50 Percent of Physicians in 2020*. American Medical Association. https://www.ama-assn.org/system/files/2021-05/2020-prp-physician-practice-arrangements.pdf; RAND Health. n.d. *What Have We Learned About the Economic Effects of Vertical Integration?* https://www.rand.org/health/centers/health-system-performance/what-have-we-learned/vertical-integration.html; Marty Stempniak. 2026. "Hospital Giant Intermountain Health Closes Acquisition of Las Vegas Radiology Practice." *Radiology Business*, January 23. https://radiologybusiness.com/topics/healthcare-management/mergers-and-acquisitions/hospital-giant-intermountain-health-closes-acquisition-las-vegas-radiology-practice.

[6] H.R.7148 - Consolidated Appropriations Act of 2026, Pub. L. Nos. 119–75 (2026). https://www.congress.gov/bill/119th-congress/house-bill/7148/text.

Continuing to eliminate the Inpatient Only (IPO) list and adding procedures to the ASC Covered Procedures List (ASC CPL)

In another demonstration of commitment to the expansion of high-value care, CMS is continuing to phase-out the IPO list over a three-year period.[7] The IPO list has historically blocked providers from performing certain procedures in outpatient facilities, which are lower-cost than inpatient hospital departments. Across outpatient settings, ambulatory surgery centers emerge as particularly high-value, providing care at a lower-cost and similar quality to HOPDs.[8]

Following on 2026 efforts — in year two of the phaseout — CMS is proposing to eliminate an additional 637 procedures, representing roughly 37 percent of the original IPO list.[9] These procedures range across a variety of clinical families, and according to our analysis, the largest categories include abdominal, peritoneal, and biliary procedures; urological procedures; and ear, nose, throat, head, and neck (ENT) procedures.[10]

The vast majority of the procedures described above will be added to the ambulatory surgery center (ASC) covered procedures list, giving providers the flexibility to use their clinical

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[7] Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS). 2026. *Calendar Year 2027 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Proposed Rule (CMS-1850-P)*. July 2. https://www.cms.gov/newsroom/fact-sheets/calendar-year-2027-hospital-outpatient-prospective-payment-system-opps-ambulatory-surgical-center.

[8] Munnich, Elizabeth L., and Stephen T. Parente. 2018. "Returns to Specialization: Evidence from the Outpatient Surgery Market." *Journal of Health Economics* 57 (January): 147–67. https://doi.org/10.1016/j.jhealeco.2017.11.004; Xiaoxi Zhao, Christopher M. Whaley, Elizabeth L. Munnich, Jessica Y. Lee, and Ashley M. Kranz. 2025. "Pricing and Insurance Networks in Outpatient Surgery Markets." *The American Journal of Managed Care* 31 (10): 571–74. https://doi.org/10.37765/ajmc.2025.89807; James C. Robinson, Christopher M. Whaley, and Sanket S. Dhruva. 2024. "Prices and Complications in Hospital-Based and Freestanding Surgery Centers." *The American Journal of Managed Care* 30 (4): 179–84. https://doi.org/10.37765/ajmc.2024.89529.

[9] 2027 Medicare Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Proposed Rule, Vol. 91, No. 128 (2026). https://www.federalregister.gov/documents/2026/07/07/2026-13656/medicare-program-hospital-outpatient-prospective-payment-and-ambulatory-surgical-center-payment.

[10] ScienceDirect. n.d. *Peritoneal Dialysis*. https://www.sciencedirect.com/topics/immunology-and-microbiology/peritoneal-dialysis; ScienceDirect. n.d. *Biliary Tract Surgery*. https://www.sciencedirect.com/topics/nursing-and-health-professions/biliary-tract-surgery; ScienceDirect. n.d. *Urologic Surgery*. https://www.sciencedirect.com/topics/medicine-and-dentistry/urologic-surgery; ScienceDirect. n.d. *Abdominal Surgery*. https://www.sciencedirect.com/topics/nursing-and-health-professions/abdominal-surgery; ScienceDirect. n.d. *Ear Nose Throat Surgery*. https://www.sciencedirect.com/topics/medicine-and-dentistry/ear-nose-throat-surgery.

expertise to decide the appropriate setting for care. While it is unclear just how much volume will shift to the ASC setting, CMS is clearing the path for certain procedures to be performed in higher-value settings — a win for patients and taxpayers alike.

Conclusion

Existing Medicare payment policies distort the healthcare market, disconnecting the value of healthcare services from their costs. We applaud CMS for building steadily toward a simple principle: Medicare should not pay more for the same care because of who owns the building where it is delivered. Expansion of site-neutral payment for imaging services and the continued elimination of the IPO list represent an opportunity to achieve three often elusive healthcare policy goals: reduce federal spending, lower patient cost-sharing, and increase competition in the healthcare system. We strongly encourage the agency to include these changes in their final rule and continue to pursue the expansion of these policies as part of their long-term strategy to promote high-value healthcare. Thank you for your time and consideration.

Respectfully submitted,

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