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Federal push for site-neutral payments could accelerate reshaping of sites of care

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The Buzz This Week

Federal policymakers are accelerating efforts to level Medicare payments across outpatient settings—a shift that could materially reduce reimbursement for hospital-owned outpatient departments over time. While recent legislation and Centers for Medicare & Medicaid Services (CMS) rulemaking do not yet impose broad rate cuts, they expand the data, authority, and policy mechanisms needed to advance site-neutral payment in the coming years.

For hospitals and health systems already operating on thin margins, the financial exposure is significant.

Key developments include:

- **Separate National Provider Identifiers (NPIs):** The 2026 government spending bill, signed into law on February 3, requires hospitals to obtain and use a separate NPI for each off-campus outpatient department by 2028. Hospitals that do not comply risk losing Medicare billing eligibility for outpatient services provided at those facilities.
- **2026 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgery Center (ASC) payment update:** In November, CMS finalized a 2.6% rate increase for both hospital outpatient departments and ASCs (a 3.3% market basket increase offset by a 0.7 percentage point productivity adjustment).
- **Expanded site-neutral payment for select services:** Within the same final OPPS rule, CMS expanded certain drug administration services delivered in off-campus hospital departments. CMS estimates this change will reduce outpatient spending by \$290 million in 2026 (\$220 million in Medicare savings and \$70 million in reduced beneficiary cost sharing).

- **Phase-out of the inpatient-only (IPO) list:** CMS finalized a 3-year phase-out that will begin this year with the removal of 285 mostly musculoskeletal procedures. This expands the services that may be performed in outpatient settings when clinically appropriate.

Together, these moves increase transparency into hospital outpatient costs and strengthen CMS' ability to expand site-neutral payment in the future.

Why It Matters

Lawmakers continue to view site-neutral payment as a lever to reduce healthcare spending. They aim to narrow payment differences for clinically comparable services across hospital outpatient departments, physician offices, and ASCs.

More broadly, payers continue to pursue strategies that steer care to lower-cost settings and narrow payment differentials. Health insurers note that site-neutral approaches can improve price transparency and reduce "facility fee" variation for routine services that are clinically comparable across settings.

For providers, the financial stakes are significant. Site-neutral policies are designed to reduce reimbursement in settings that currently receive higher payment, such as hospital outpatient departments. Health systems point out that these departments carry higher fixed costs—such as 24/7 standby capacity, compliance infrastructure, and support services. They also serve patients who may be more clinically complex than those seen in freestanding settings.

The site-neutral payment pressure comes at a time when many hospitals report thin margins and ongoing strain from workforce challenges, rising supply and drug costs, and increasing uncompensated care.

The American Hospital Association (AHA) has opposed broader site-neutral cuts, warning that payment reductions could undermine hospitals' ability to maintain services that support underserved and rural communities. In some markets, reduced reimbursement could force facilities to scale back or consolidate outpatient services, creating access concerns where alternatives are limited.

These policies reinforce the broader shift toward outpatient care while signaling tighter reimbursement in hospital-owned settings. Health systems should align outpatient strategy and site-of-care planning accordingly, including preparing for service line sustainability under lower reimbursement and potential access implications for vulnerable communities.

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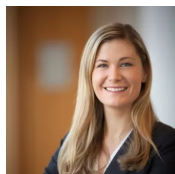
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