OUTPATIENT MEDICARE CUTS WOULD HARM PATIENTS AND SAFETY NET

As part of the 2027 Calendar Year (CY) Outpatient Prospective Payment System (OPPS) final rule, the Centers for Medicare & Medicaid Services (CMS) plans to cut nearly $5.5 billion from hospitals participating in the 340B Drug Pricing Program and redistribute this funding to hospitals that do not serve a safety net role.[1]

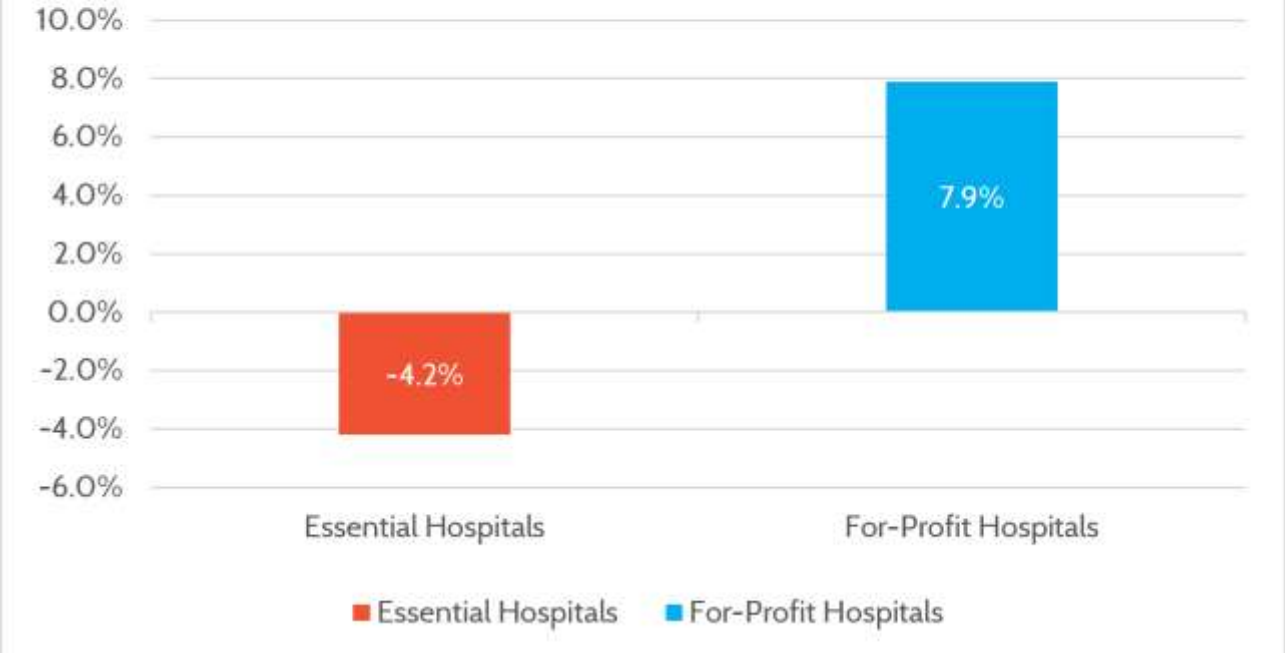
Congress must act to preserve safety net funding and better target resources to hospitals that need them most.

AN UNFAIR REDISTRIBUTION

Despite making up just 8% of OPPS providers, essential hospitals face 20.2% of the proposed reductions in payments for outpatient drugs. However, because CMS is required to make these cuts budget-neutral, the policy will result in large increases in non-drug Medicare payments for hospitals that do not serve a safety net role.

After accounting for all the changes in the OPPS final rule, we find that **Medicare payments to essential hospitals will shrink by 4.2%, while for-profit hospitals will see a net 7.9% increase in outpatient Medicare payments in CY 2027.**[2]

FIGURE 1. PERCENT CHANGE IN MEDICARE OUTPATIENT PAYMENTS UNDER 2027 FINAL RULE



INCREASED COST SHARING FOR MEDICARE BENEFICIARIES

Although CMS intended for this policy to reduce Medicare cost sharing for outpatient drugs, the poorly targeted redistribution of funding could ultimately increase costs for most Medicare beneficiaries. CMS is reducing payments to essential hospitals, which serve a greater proportion of patients eligible for both Medicare and Medicaid. Dually eligible patients generally do not pay Medicare cost sharing, and CMS' proposal will shift these costs to patients who do. Overall, we estimate that CMS' misallocation of OPPS funding will increase Medicare beneficiary cost sharing by approximately $45 million.[3]

AN UNLAWFUL PROCESS

In 2022, the Supreme Court unanimously ruled that CMS' previous attempt to reduce payments for drugs provided at 340B hospitals was unconstitutional, yet CMS has continued to move forward with this unfair policy. The statute requires CMS to conduct a "statistically significant" survey before using survey data to adjust drug payment rates, but CMS' methodology falls far short of this standard. **CMS' analysis is based on a survey of fewer than 23% of 340B hospitals,** and these cuts are **based on an average of only 40 responses per drug**. Because this hastily developed policy relies on incomplete data, it will result in inaccurate payments that threaten patients' access to care.

Even if federal courts subsequently reverse CMS' policy, allowing this proposal to move forward will cause irreparable harm. For example, most hospitals have not been able to recoup the illegal reductions in payments for services provided through Medicare Advantage.

CONGRESS SHOULD STOP MISGUIDED CUTS TO THE SAFETY NET

Congress should act now to stop these cuts from taking effect. The cuts will cause irreparable harm to safety net providers at a time when the essential care they provide is needed more than ever. Congress should make sure that CMS follows the law and preserve the 340B program's intent: to strengthen the safety net and expand access to care.

Endnotes

1. DeCubellis J. Letter to Mehmet Oz on Aug. 31, 2026. https://essentialhospitals.org/wp-content/uploads/2026/09/CY-2027-OPPS.pdf. Accessed Oct. 28, 2026.

2. Centers for Medicare & Medicaid Services. Fiscal Year 2026 Outpatient Prospective Payment System Final Rule Impact File—Facility Specific Impacts. https://www.cms.gov/medicare/payment/prospective-payment-systems/hospital-outpatient/regulations-notices/cms-1850-fc. Accessed Nov. 5, 2026.

3. KNG Health Consulting LLC. 2026. Modeling of 2027 Medicare Proposed Outpatient Payment System.