



PYA Healthcare Regulatory Roundup #104 – 2026 Hospital Outpatient Prospective Payment System Final Rule

Recorded and released on-demand on November 25, 2025 by PYA's Martie Ross and Kathy Reep | Part of the Healthcare Regulatory Roundup Webinar Series

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WEBINAR SUMMARY

This episode of PYA's Healthcare Regulatory Roundup covered several key points of the 2026 Hospital Outpatient Prospective Payment System (OPPS) Final Rule. The "minibus" bill extended healthcare appropriations retroactively, after the government shutdown, to October 1, 2025 and through January 30, 2026. The speakers discussed the end of the government shutdown, the continuation of the appropriations, the agricultural legislative branch, military construction, and Veteran Affairs (VA), and how Medicare premiums and deductibles will increase with the Part A deductible rising to \$1,736. The outpatient payment rate will increase by 2.6%, while the Ambulatory Surgical Center conversion factor will rise to \$56.32. Skin substitute reimbursement will be standardized at \$127 per centimeter. The End-Stage Renal Disease (ESRD) Final Rule includes a 2.2% base rate increase. Price transparency requirements expand significantly beginning January 1, 2026, with enforcement delayed until April 1; hospitals must now report 10th, median, and 90th percentile allowed amounts. The speakers revisited an overview of the proposed rule for home health, as Home Health Prospective Payment System Final Rule was not included at time of release. The webinar discussed the impact of these changes on healthcare providers and the need for budget adjustments.

Key topics include:

- **2026 Hospital Outpatient Prospective Payment System (OPPS) Final Rule**
- **Medicare Advantage**
- **Telehealth waivers and COVID-19 flexibilities**
- **340B program cuts**
- **Sequestration**
- **ACA subsidies**
- **Medicare Part A deductibles and Part B premiums**
- **Ambulatory Surgical Center conversion factor**
- **Off-campus drug administration services and site-neutral reimbursement**
- **Inpatient-only list phase-out**
- **Skin Substitutes Final Rule**
- **Virtual supervision**
- **Price transparency requirements**
- **Electronic Clinical Quality Measures (eCQMs)**
- **Quality reporting**
- **ESRD Final Rule**
- **Home Health Proposed Rule**



WEBINAR HIGHLIGHTS AND FREQUENTLY ASKED QUESTIONS

What is the overall payment update in the 2026 OPPS Final Rule?

- CMS finalized a 2.6 percent payment rate increase based on a 3.3 percent market basket adjustment minus a 0.7 percent productivity reduction.
- After applying budget neutrality adjustments, the effective OPPS conversion factor for 2026 is \$90.97.

How is CMS changing reimbursement for skin substitutes in 2026?

- CMS will unpackage most skin substitute products and reimburse them at a standardized national rate of \$127 per centimeter. Only a small subset of products regulated as biologics under Section 351 will continue to receive ASP-based reimbursement.

Why did CMS reduce skin substitute reimbursement by approximately 90 percent?

- CMS cited extreme cost variation and rapid program spending growth. The policy aims to drive adoption of lower-cost products and reduce Part B premium impacts.

What site-neutral changes are being implemented for drug administration services?

- Beginning in 2026, all off-campus departments will be paid 40 percent of the OPPS rate for drug administration services, regardless of grandfathered status. CMS is considering whether to apply this policy to on-campus departments in future years.

How does the 340B remedy impact OPPS rates in 2026?

- CMS will apply only a 0.5 percent reduction in 2026 when recapturing prior budget-neutrality adjustments related to the original 340B cuts. Hospitals should expect reductions of up to 2 percent beginning in 2027.

What changes are being made to the inpatient-only list?

- CMS will restart the phase-out of the inpatient-only list beginning in 2026, removing 285 procedures, and adding over 500 codes to the ASC Covered Procedures List.

What new price transparency requirements take effect in 2026?

- Hospitals must report the 10th, median, and 90th percentile allowed amounts for payer-specific negotiated rates based on at least 12 months of remittance data.
- A new standardized attestation statement and executive-level certification are required.

Is virtual supervision still allowed under OPPS?

- CMS finalized permanent virtual supervision for cardiac rehab, intensive cardiac rehab, pulmonary rehab, and diagnostic services requiring general supervision, provided real-time audio-visual technology is used.

What should hospitals know about sequestration in 2026?

- Despite earlier projections that sequestration would increase to 4 percent, Congress reset the fiscal impact of the One Big Beautiful Bill Act (OBBA), keeping sequestration at 2 percent.

What are the key takeaways from the ESRD Final Rule included in this webinar?

- CMS finalized a 2.2 percent base rate increase for ESRD services in 2026 and introduced new facility-level adjustments for providers in Alaska, Hawaii, and Pacific territories due to higher non-labor costs.



ACTION ITEMS

- Submit questions on the webinar topics.
- Attend the two-part webinar series on the Medicare Physician Fee Schedule.
- Review the new price transparency attestation statement and update files accordingly.
- Monitor the release of the Home Health Prospective Payment System final rule.
- Provide feedback on the 340B drug survey requirements.

WEBINAR OUTLINE

Introduction and Overview of Government Shutdown and Its Impact on Healthcare

- PYA Moderator introduces the webinar covering the release of the 2026 Hospital Outpatient Prospective Payment System Final Rule.
- Speakers Martie Ross and Kathy Reep introduce themselves, joke about the Thanksgiving timeline, and outline the agenda, including the “minibus” (rather than omnibus) bill, 2026 Medicare premiums, and end-stage renal disease prospective payment system.

Discussion on the Minibus Bill and Healthcare Extenders

- Martie Ross explains the minibus bill, which ended the shutdown and continued fiscal year 2025 funding through January 30, 2026.
- She notes that highlights of the minibus bill include retroactive extensions of healthcare extenders, such as COVID-19 telehealth waivers and telebehavioral health services.
- Martie explains the DEA's intention to extend COVID-19 telemedicine flexibilities for controlled medications.
- The presenters discuss extensions of Medicare dependent hospital and low volume hospital programs, Community Health Center fund, and Medicare Physician Fee Schedule.

Sequestration and Legislative Outlook

- Kathy Reep discusses sequestration, explaining the rule that reduces Medicare payments by 2%.
- The minibus bill set the deficit at zero, keeping sequestration at 2%.
- The presenters discuss the legislative outlook, including the need for Congress to fund remaining programs from January 31 to September 30, 2026.
- They note there is a potential vote on the extension of ACA enhanced premium tax credits and its impact on healthcare coverage.

Medicare Premiums and Out-of-Pocket Costs

- Kathy Reep details the increase in Medicare Part A deductibles and coinsurance for hospital and skilled nursing facility services.
- She explains the increase in Part B premiums from \$185 to almost \$203 per month.
- Kathy further details the significant increases in supplemental insurance rates for Medicare Parts A and D.
- The presenters discuss the impact of these increases on Medicare beneficiaries and their out-of-pocket costs.



Outpatient Prospective Payment System Final Rule

- Kathy Reep outlines the 2.6% increase to the base rate for the Outpatient Prospective Payment System.
- She details the reduction in the outlier threshold from \$7,175 to \$6,225.
- Kathy notes the Ambulatory Surgical Center conversion factor increase to \$56.32.
- The presenters discuss the impact of the 340B remedy and the potential reduction in payment rates for 2027 and beyond.

Site Neutral Payments and Skin Substitutes

- Kathy Reep discusses the reduction in payment for off-campus drug administration services.
- Martie Ross explains the new payment methodology for skin substitutes, including a 90% reduction in reimbursement.
- Martie notes the introduction of new Ambulatory Payment Classifications (APCs) for skin substitutes based on the regulation of the particular product.
- The presenters discuss the impact of these changes on different types of providers and the potential for cost savings.

Virtual Supervision and Price Transparency

- Martie Ross discusses the permanent virtual supervision for cardiac rehab, intensive cardiac rehab, and pulmonary rehab services.
- She notes the requirement for real-time audio-visual connectivity for virtual supervision.
- Kathy Reep outlines the new price transparency requirements, including the reporting of actual dollar amounts and the 10th, median, and 90th percentiles for negotiated rates.
- The presenters discuss the enforcement delay until April 1, 2026, and the need for clarification on reporting for new contracts.

Outpatient Quality Reporting and Star Ratings

- Martie Ross discusses the use of Electronic Clinical Quality Measures (eCQMs) for emergency care access and timeliness beginning in 2027.
- Removal of certain measures from the outpatient quality reporting program, including COVID vaccination coverage and screening for social drivers of health.
- Discussion on the impact of these changes on quality scores and payment adjustments.
- Kathy Reep explains the new star rating methodology for hospitals, including the cap on four stars for the lowest quartile of safety of care measures.

End-Stage Renal Disease (ESRD) Final Rule

- Kathy Reep outlines the 2.2% increase in the base rate for the ESRD final rule.
- Decrease in the outlier fixed dollar loss threshold and Medicare allowable payment amounts for pediatric and adult beneficiaries.
- New facility level adjustment for providers in Alaska, Hawaii, and the US Pacific territories to address higher non-labor costs.
- Discussion on the impact of these changes on ESRD providers and the need for further adjustments.



Home Health and Final Remarks

- Kathy Reep discusses the proposed rule for home health rates, which includes a 6.4% decrease.
- The presenters explain that the rule is currently delayed at the Office of Management and Budget (OMB), with uncertainty about its effective date.
- Martie Ross mentions the high number of rules waiting at OMB, including Medicare Advantage (MA) rules and CMS Innovation Center rules.

Conclusion and Final Thoughts

- Martie Ross and Kathy Reep conclude the webinar by summarizing the key points and noting the Medicare Physician Fee Schedule (MPFS) final rule has also been released, and PYA will conduct a two-part webinar to cover the new guidelines.
- The presenters announce that the next webinar, Part 1 in the MPFS series, will include a section focusing further on skin substitutes.
- The presenters and PYA Moderator conclude the webinar by thanking the audience, wishing everyone a happy Thanksgiving, and with information on how to access the slides, recording, and additional resources.