August 31, 2026

The Honorable Mehmet Oz, Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
P.O. Box 8016
Baltimore, MD 21244-8013

Subject: CMS-1850-P; Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems; and Quality Reporting Programs; Including the Hospital Outpatient Quality Reporting Program and Ambulatory Surgical Center Quality Program

Dear Administrator Oz:

I am writing on behalf of the Safety-Net Association of Pennsylvania (SNAP), a group of private safety-net hospitals that care for especially large numbers of Medicaid patients, to convey to the Centers for Medicare & Medicaid Services (CMS) our views on the proposed CY 2027 Medicare outpatient prospective payment system (OPPS) regulation that was published in the *Federal Register* on July 7, 2026.

Pennsylvania's safety-net hospitals make up one-quarter of the commonwealth's hospitals but provide over half the care to the state's one million uninsured residents and its 3.2 million Medicaid recipients. SNAP represents 37 safety-net hospitals located across Pennsylvania, including community hospitals, teaching hospitals, and children's hospitals in urban and rural communities. Because of the amount of care they provide that is reimbursed by Medicare and Medicaid, these hospitals face a significant and continuing challenge to their financial health. SNAP members are committed to delivering strong, reliable care that families can count on when it matters most and play a critical role in preserving access for low-income patients in their community.

In this letter, SNAP presents comments on the following aspects of the proposed rule:

- Protecting the OPPS Update from Other Medicare Reductions
- Preserving 340B Resources for High-Medicaid Hospitals
- Avoiding a Sudden Acceleration of the 340B Remedy Offset
- Maintaining Hospital Outpatient Access in Communities with Limited Alternatives
- Implementing PBD NPI Requirements Without Disrupting Claims or Care

We address each of these areas of the rule in turn below.

Protecting the OPPS Update from Other Medicare Reductions

CMS proposes a 2.4 percent update based on a projected 3.2 percent hospital market basket increase reduced by a 0.8 percentage point productivity adjustment. SNAP appreciates the proposed increase, but the other policies in the rule mean this support will remain out of reach for safety-net hospitals if they are finalized as proposed. The proposed reduction in 340B reimbursement, the accelerated 340B remedy

offset, and the expansion of site-neutral payment policy would together take resources away from hospitals that already operate with little room to absorb additional Medicare reductions.

Safety-net hospitals rely heavily on government payer sources that do not cover the full cost of care. This gives them little room to supplement losses with other revenue sources or to absorb payment reductions without considering changes that could affect patients and staff. Like all hospitals, SNAP members are preparing for older, sicker populations with more complex chronic conditions and greater need for outpatient care. CMS should evaluate the combined impact of these proposals rather than viewing each policy in isolation.

Preserving 340B Resources for High-Medicaid Hospitals

CMS proposes to reduce Medicare reimbursement for drugs acquired through the 340B program from average sales price (ASP) plus 6 percent to ASP minus 33.4 percent. SNAP is deeply concerned that this proposal would weaken a program Congress created to help high-Medicaid hospitals maintain services for patients who otherwise may not have reliable access to care. The 340B program is not simply a drug acquisition-cost policy; it is one of the few tools available to safety-net hospitals to offset low public payer reimbursement and support access to outpatient drugs, infusion services, pharmacy care, and other patient supports.

Keep 340B Savings Focused on Patient Access

The 340B program was created to improve access to high-cost prescription drugs and related care by giving hospitals that serve large numbers of Medicaid and low-income patients the tools to stretch limited resources. In hardworking communities, public payor hospitals use 340B savings to provide care that patients might otherwise be unable to afford and to offer services that might otherwise be unavailable in their area. Limiting reimbursement to acquisition cost would undermine that purpose and remove resources Congress intended to remain with providers serving low-income Americans.

SNAP supports efforts to reduce financial burdens on beneficiaries, but the proposed policy would do so by taking resources from the same safety-net hospitals that use 340B savings to support access for those patients. CMS estimates that the proposed policy would reduce Original Medicare drug payments by approximately $4.55 billion and beneficiary drug payments by $1.15 billion in the first year. While lower beneficiary cost sharing is an important goal, it should not be achieved by reducing resources that safety-net hospitals rely on to sustain outpatient access and patient-support programs for the same group.

Avoid Undermining Services Supported by 340B Savings

SNAP members use 340B savings to support patient assistance, specialty pharmacy services, infusion access, care coordination, financial counseling, and other supports that help patients overcome clinical and practical barriers to treatment. Any change that reduces 340B savings for community safety-net hospitals will jeopardize this work and make it harder for patients to receive care close to home.

SNAP urges CMS not to finalize the proposed ASP minus 33.4 percent payment policy for 340B-acquired drugs. Hasty changes to 340B reimbursement policy risk undermining access to care rather than correcting any perceived inequity in hospital reimbursement.

Continue the Protections for Children's Hospitals

SNAP supports CMS's decision to protect IPPS-exempt children's hospitals from the proposed 340B reimbursement reduction. This protection is especially important because Medicare payment policies

often influence state Medicaid and commercial payer policy and even though Medicare volume is not high in these hospitals, if other payers were to adopt similar reductions in children's hospital 340B reimbursement, the effect on pediatric access could be significant. Children's hospitals provide highly specialized services and pediatric drug treatments for patients with complex needs, and they should not lose 340B-related resources they use to support vulnerable children, families, and communities.

Avoiding a Sudden Acceleration of the 340B Remedy Offset

SNAP does not support CMS's proposal to accelerate the existing 340B remedy offset. CMS previously finalized a plan to reduce the outpatient conversion factor by 0.5 percent each year for 16 years, and hospitals have been budgeting around that schedule since the 340B litigation concluded in 2023. The agency now proposes to accelerate those reductions to 3 percent annually over a much shorter period. A sharp increase in that loss is not something any hospital budget could have planned for, and it is certainly not something safety-net hospitals can shoulder without evaluating substantial cuts to services, delays in investments, or workforce changes.

For hospitals with high Medicaid and uninsured patient volume, even a modest payment reduction can have outsized consequences. These hospitals cannot easily replace government payment shortfalls with commercial revenue, and reductions that may appear manageable on paper can translate into deferred investments, reduced outpatient capacity, or difficult staffing and service decisions. Again, this reduction cannot be seen in isolation - CMS is also proposing a separate, major change to 340B drug reimbursement. SNAP understands CMS's desire to reconcile past financial outlays as soon as possible, but hospitals are not in a position to shoulder a significantly accelerated reduction. If CMS believes a change to the repayment schedule is necessary, the agency should consider a more gradual approach that accommodates other financial pressures in the industry rather than moving immediately to a three percent annual reduction.

Maintaining Hospital Outpatient Access in Communities with Limited Alternatives

CMS proposes to apply the physician fee schedule-equivalent payment rate to certain diagnostic imaging services without contrast when these services are furnished at excepted off-campus provider-based departments (PBDs). SNAP opposes this proposal and urges CMS not to expand site-neutral payment reductions without establishing meaningful protections for safety-net hospitals and the communities that rely on them. SNAP believes CMS should proceed cautiously before extending site-neutral payment reductions to additional categories of services, particularly where the affected hospital outpatient departments serve as access points for primary care in their community, where patients have limited alternatives.

Hospital Clinics Fill Gaps in the Primary Care Workforce

In many Pennsylvania communities, hospitals and hospital-based outpatient clinics are the main or only practical source of primary and follow-up care for patients who rely on Medicare, Medicaid, and other public programs. These sites fill gaps created by physician shortages, limited community-based capacity, transportation barriers, and the financial realities of serving large numbers of publicly insured and uninsured patients. They are not maintained to take advantage of payment differences; they exist because families need a reliable access point before preventable conditions become emergencies.

The need for these access points is especially important in Pennsylvania, where nearly 3.2 million residents are enrolled in Medicaid and SNAP hospitals serve a material share of the state's uninsured and Medicaid populations. These data points help explain why reductions that appear broadly applicable at the

national level can have concentrated effects on safety-net hospitals and the communities that depend on them. SNAP urges CMS to abandon this proposal or, at minimum, avoid expanding site-neutral payment reductions until the agency develops a framework that protects vulnerable providers and avoids unintended consequences for beneficiaries.

Create a Safety-Net Protection Before Any Expansion

If CMS finalizes this proposal and adds diagnostic imaging services without contrast to the services subject to the volume control payment policy, SNAP urges the agency to establish an exemption for safety-net hospitals to protect them from all site-neutral policies for outpatient care. Such an exemption would recognize that hospitals serving high shares of Medicaid, Medicare, and uninsured patients have limited ability to absorb reductions in payment for Medicare and Medicaid services and that their outpatient departments often serve as essential community access points. SNAP supports using a federal safety-net hospital definition that relies on existing, nationwide metrics to identify hospitals with high public payer burdens and disproportionate care for low-income patients. A clear, administrable definition would allow CMS to target protections to hospitals that provide the most care to vulnerable patients relative to other hospitals while accounting for differences in state health care delivery systems.

Without that nuance, the proposed payment reduction would apply broadly to excepted off-campus PBDs without meaningfully addressing CMS's stated concerns about unnecessary increases in service volume. Congress specifically grandfathered certain off-campus provider-based locations from site-neutral payment reductions under Section 603 of the Bipartisan Budget Act of 2015, reflecting its judgment that existing outpatient care sites serve important community needs and should not be disrupted without careful review.

Implementing PBD NPI Requirements Without Disrupting Claims or Care

CMS seeks feedback on implementing Section 6225 of the Consolidated Appropriations Act of 2026, which requires providers to obtain national provider identification numbers (NPIs) for their PBDs and submit attestations of compliance with provider-based regulations by January 1, 2028. SNAP urges CMS to implement this mandate through a straightforward, phased process that avoids payment disruption, inconsistent payer treatment, and unnecessary administrative burden for hospitals already operating with lean administrative resources.

Coordinate Across Payers Before Enforcement Begins

SNAP encourages CMS to work with MACs, Medicare Advantage plans, Medicaid programs, and other payers to implement the NPI requirement in a way that will not disrupt the processing of otherwise valid claims. Every affected payer will need to recognize the secondary NPI, associate it correctly with the hospital and location, and update claims-processing systems, enrollment records, edits, and validation checks. Without clear and consistent implementation, hospitals could face denied, delayed, or manually reviewed claims for services that otherwise meet Medicare requirements.

Reduce Operational Burden for Safety-Net Hospitals

The burden will extend beyond registering new NPIs. Hospitals likely need to enroll and maintain each PBD NPI across Medicaid, commercial, and Medicare Advantage payers; update access permissions; and manage additional account maintenance and claims inquiries. This added work would be especially difficult for safety-net hospitals with lean administrative staff and multiple Medicaid and managed care relationships. The maintenance of these NPI permissions is critical for staff to keep up with payer requests for documentation and claims status inquiries. CMS and the MACs also should anticipate

increased provider questions and requests for operational support as hospitals work in good faith to comply.

Use a Clear, Phased Attestation Process

SNAP supports CMS's proposal to allow providers to begin the attestation process up to two years before the January 1, 2028 deadline, as well as CMS's plans for a standardized form, centralized submission process, and five-year validity period for subsequent attestations. CMS should pair these steps with clear instructions, phased implementation, and enforcement discretion during the transition period for providers working in good faith to comply.

Conclusion

SNAP appreciates the opportunity to express the views of Pennsylvania's safety-net hospitals on these important issues. We urge CMS not to finalize the proposed 340B reimbursement reduction, not to accelerate the 340B remedy offset in a manner that creates sudden financial disruption, not to expand site-neutral payment reductions without meaningful safety-net protections, and to implement the new PBD NPI and attestation requirements in a way that avoids unnecessary administrative burden and payment disruption.

Sincerely,

Michael Chirieleison
President