Advancing High Performance Health

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The Honorable Dr. Mehmet Oz
Administrator
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

RE: [CMS-1834-P] Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems; Quality Reporting Programs; Overall Hospital Quality Star Ratings; and Hospital Price Transparency

Dear Administrator Oz:

On behalf of AMGA, we appreciate the opportunity to comment on the Centers for Medicare & Medicaid Services (CMS) Calendar Year (CY) 2026 Outpatient and Ambulatory Surgical Center Prospective Payment System proposed rule.

Founded in 1950, AMGA is a trade association leading the transformation of healthcare in America. Representing multispecialty medical groups and integrated systems of care, we advocate, educate, innovate, and empower our members to deliver the next level of high-performance health. AMGA is the national voice promoting awareness of our members' recognized excellence in the delivery of coordinated, high-quality, high-value care. Over 177,000 physicians practice in our member organizations, delivering care to more than one in three Americans. Our members are also leaders in high-value care delivery, focusing on improving patient outcomes while driving down overall healthcare costs.

Specifically, we are providing comments on the following proposals:

- **Proposed Payment Update:** AMGA is concerned that the proposed payment update does not fully reflect the financial realities facing health systems.
- **340B Remedy Payments and Rebate Model:** AMGA opposes the accelerated 340B remedy proposal, as the sudden decrease in Medicare reimbursements would further destabilize hospital and health system finances.
- **Drug Acquisition Cost Survey:** CMS' plan to launch a nationwide drug acquisition cost survey in 2027 could pave the way for permanent cuts to Medicare reimbursement for 340B drugs, threatening hospitals' ability to pass along savings and jeopardizing affordable access to medications and support services for vulnerable patients.

Proposed Payment Update

AMGA appreciates CMS' efforts to provide hospitals and health systems with predictable and stable Medicare reimbursement through the annual payment update. However, given the continuing challenges of workforce shortages, persistent inflation, and rising operating expenses, the proposed update does not fully reflect the financial realities facing hospitals today.

Hospitals are grappling with record-high labor costs, increased demand for behavioral health and emergency services, and higher expenses for supplies and pharmaceuticals. Without a more meaningful payment adjustment, providers will face significant difficulties maintaining access to high-quality services for Medicare beneficiaries. AMGA urges CMS to reassess the adequacy of the payment update to ensure hospitals can continue to meet the needs of their communities.

Accelerated 340B Remedy Payments

AMGA strongly opposes the CMS proposal to accelerate repayment of the 340B remedy by increasing the annual reduction to the Outpatient Prospective Payment System (OPPS) conversion factor from 0.5% to 2% for hospitals enrolled in Medicare prior to January 1, 2018.

While AMGA recognizes CMS' obligation to implement a remedy following the Supreme Court's decision on the unlawful 340B payment policy, the proposed acceleration is deeply flawed. Quadrupling the annual reduction rate would shorten the repayment period from 2041 to 2031, allowing CMS to recoup the $7.8 billion tied to the 2018–2022 underpayment period more quickly. However, this approach would impose devastating financial and operational consequences on hospitals that serve as the backbone of care for low-income, rural, and underserved communities.

Safety net providers already operate on razor-thin margins. A sudden and steep reduction in Medicare reimbursement would destabilize their finances, undermine long-term planning, and threaten their ability to sustain essential services, invest in workforce development, and maintain community health initiatives. In some cases, the accelerated cuts could result in service line closures, reductions in staffing, hospital consolidations, or even facility closures, all of which would directly limit patient access to care.

AMGA is particularly concerned about the spillover effects on Medicare Advantage (MA) reimbursement. Because many MA contracts tie payment rates to Medicare fee-for-service (FFS) benchmarks, hospitals will face a compounded financial impact: reduced FFS payments and lower MA reimbursement tied to those same benchmarks. This dual hit magnifies the harm of CMS' proposal and jeopardizes the stability of the healthcare delivery system.

Based on these concerns, AMGA recommends that CMS preserve the existing 0.5% annual reduction, allowing for repayment by 2041. This approach balances CMS' obligation to implement the remedy with hospitals' need for financial stability and predictability. CMS also should engage directly with hospitals, medical groups, and patient advocates to assess the full implications of accelerated repayment. Further, CMS should explicitly evaluate and mitigate the impact of its proposal on MA reimbursement to ensure hospitals are not penalized twice.

AMGA also recommends the 340B Drug Pricing Program be expanded to include independent group practices that care for significant Medicaid and indigent populations because these providers play a vital role in delivering accessible, community-based care to underserved patients. Extending eligibility would allow them to purchase outpatient drugs at reduced prices, enabling reinvestment of savings into expanded services, enhanced care coordination, and improved health outcomes. By including independent practices, the program could strengthen the safety net beyond hospitals and federally qualified health centers, ensuring vulnerable patients have access to affordable medications and comprehensive care in the settings where they most often seek treatment.

Health Resources and Services Administration (HRSA)'s Proposed Rebate Pilot Model

AMGA also remains concerned about the pending 340B Rebate Model, which would fundamentally alter how covered entities acquire discounted drugs. While this pilot is not directly part of the OPPS proposed rule, its financial and operational implications overlap significantly with CMS' accelerated repayment proposal, compounding the challenges for safety net providers.

As outlined in our September 2025 comment letter to HRSA, AMGA strongly opposes the rebate model pilot because it fundamentally undermines the safety net by replacing immediate drug discounts with delayed rebates, eroding providers' ability to fund uncompensated and undercompensated care in vulnerable communities.[1] By forcing providers to purchase drugs at wholesale acquisition cost (WAC) upfront, the model places severe financial strain on hospitals and clinics, creating dangerous cash flow disruptions that could delay care, reduce essential services, or even force program closures.

In addition to the financial burden, the rebate model introduces excessive administrative complexity, requiring new reporting, tracking, and claims processes under unrealistic timelines. These requirements would divert staff time and resources away from direct patient care, while giving drug manufacturers unprecedented influence over payment terms and data requirements. This shift of control undermines the statutory protections designed to safeguard covered entities, leaving them vulnerable to financial and operational instability if manufacturers delay rebate payments or create disputes. The risk of this is compounded by the perverse incentives this rebate model pilot would establish for drug manufacturers, with rebate denials or delays translating to more cash in their pockets.

When combined with CMS' accelerated repayment proposal, the rebate model poses a threat to safety net providers. Hospitals would be forced to manage higher immediate outlays to purchase drugs at WAC without the benefit of upfront discounts. In tandem with lower overall Medicare reimbursement resulting from steep OPPS conversion factor cuts, this would leave providers deeply financially strained. Taken together, these policies would destabilize safety net providers nationwide and jeopardize access to essential medications and services for the communities that depend on them most.

[1] AMGA Letter to HRSA re: 340B Rebate Model Pilot Program, Sept. 8, 2025

Drug Acquisition Cost Survey Concerns

The accelerated repayment proposal is further complicated by CMS' plan to conduct a nationwide drug acquisition cost survey to inform potential future payment policy beginning in CY 2027. If survey results are used to justify permanent reductions to Medicare reimbursement for 340B-acquired drugs, hospitals could lose the ability to extend the program's savings to patients, significantly reducing access to affordable medications and critical support services for vulnerable populations.

Combined, the accelerated repayment and potential future cuts from the survey represent a two-pronged threat to safety net providers: immediate financial shocks combined with long-term erosion of 340B savings. This uncertainty makes it impossible for hospitals to plan for sustainable operations or reinvestment in patient care.

Conclusion

AMGA strongly urges CMS to withdraw the proposal to accelerate the 340B repayment timeline and maintain the previously finalized gradual recoupment policy through 2041. Hospitals require predictability and stability to maintain essential services, meet the needs of their patients, and uphold the mission of the 340B program. Accelerating repayment—while simultaneously introducing the risk of further permanent cuts—shifts resources away from providers and patients and into the hands of MA organizations, undermining both access.

We thank you for your consideration of our comments. Should you have questions, please do not hesitate to contact AMGA's Darryl M. Drevna, senior director of regulatory affairs, at 703.838.0033 ext. 339 or at ddrevna@amga.org.

Sincerely,

Jerry Penso

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