

# CMS Advisory Panel on Hospital Outpatient Payment

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# Agenda

- Why CMS Should Propose Modifications to the Complexity Adjustment Methodology
- Application of Two-Times Rule for Complexity Adjustment Cost Threshold Provides Inconsistent Outcomes for Low-cost APCs and Highcost APCs
- Examples
- Recommendation for CMS

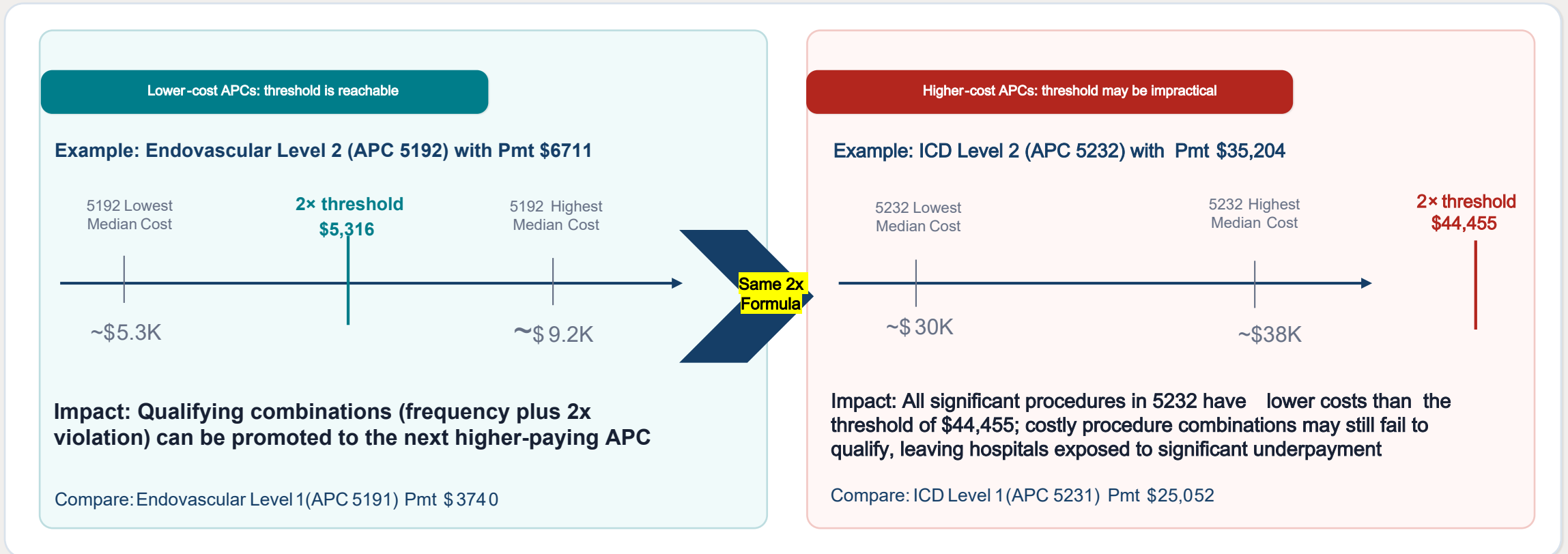
# Methodology for Determining Complexity Adjustment has not Kept Pace with Innovation

Current qualification threshold does not always reliably identify complex, high-cost procedure combinations across APC levels

| Current Gap                                                                                                                                                                                                                  | Operational Risk                                                                                                                                         | Policy Concern                                                                                                                                                                                                                                                                                                                                              | Core Message                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Complexity adjustments were intended to help ensure adequate pay for complex procedure combinations under comprehensive APCs, but the methodology may not reflect newer, resource-intensive technologies used in procedures. | Hospitals may risk financial loss when high-cost procedure combinations remain assigned to lower-paying APCs despite substantially greater resource use. | <p>As newer and more resource-intensive technologies are adopted into clinical practice, OPPS payments should reflect the higher costs by assigning qualifying procedure combinations to the next-higher paying APC grouping.</p> <p>This would offset some hospital costs for adopting new technologies and protect hospitals from significant losses.</p> | <p>CMS should re-evaluate the cost threshold formula for complexity adjustment eligibility and propose alternatives for CY 2028 for public comment.</p> <p>CMS issued an RFI in the CY 2026 OPPS proposed rule but did not include any proposals in the CY 2027 proposed reflecting stakeholder input.</p> |

# Why the “Two-Times” Rule Can Break Down at Higher APC Cost Levels

The same multiplier can operate very differently depending on the APC cost level and the width of the cost band



**Result:** The methodology may be equitable at lower APC levels, but less reliable for higher cost APCs with broader cost bands

## Summary and Recommendation for the Panel



### Assess

The Panel should recommend that CMS re-assess whether application of the two-times rule for complexity adjustment eligibility results in an equitable and appropriate cost threshold for high-cost APCs and wide cost bands.



### Develop Options

The Panel should recommend that CMS consider an alternative cost threshold or other criteria that better identifies resource-intensive combinations for complexity adjustment eligibility.



### Propose for comment

The Panel should recommend that CMS include a proposal in future rulemaking and solicit feedback to evaluate data, thresholds, and operational implications.

**Proposed HOP Panel action: Recommend that CMS address complexity adjustment thresholds for high-cost APCs in a future OPPS/ASC rulemaking cycle.**

**Rationale:** Medicare payment policy in the OPPS should be driven by data and ensure consistency, equity, and predictability for complex procedure combinations.

# J&J/Shockwave Proposal for Complexity Adjustment Eligibility Determination

- J&J/Shockwave submitted a specific proposal for inclusion in CY2027 OPPS Proposed Rule:

Revise CA methodology for appropriate procedures to qualify for adjustment, using the lower of:

- Current Methodology using the two -times rule; OR
  - Lowest GMC of the qualifying significant procedures in the next highest APC
- Proposal would have modest impact on the overall APC system and create flexibility and appropriate payment for complex procedures

# Thank you

If you have more questions, please contact:

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