

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 High-cost 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

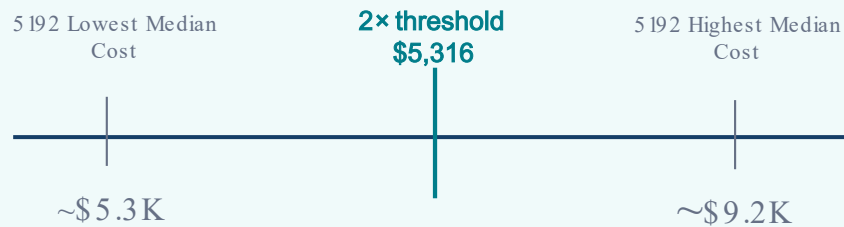
Current Gap	Operational Risk	Policy Concern	Core Message
Complexity adjustments were intended to help ensure adequate pay for complex procedure combinations under comprehensive APCs, but the methodology may not reflect newer, resource-intensive technologies used in procedures.	Hospitals may risk financial loss when high-cost procedure combinations remain assigned to lower-paying APCs despite substantially greater resource use.	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. This would offset some hospital costs for adopting new technologies and protect hospitals from significant losses.	CMS should re-evaluate the cost threshold formula for complexity adjustment eligibility and propose alternatives for CY 2028 for public comment. 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.

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

Lower-cost APCs: threshold is reachable

Example: Endovascular Level 2 (APC 5192) with Pmt \$6711

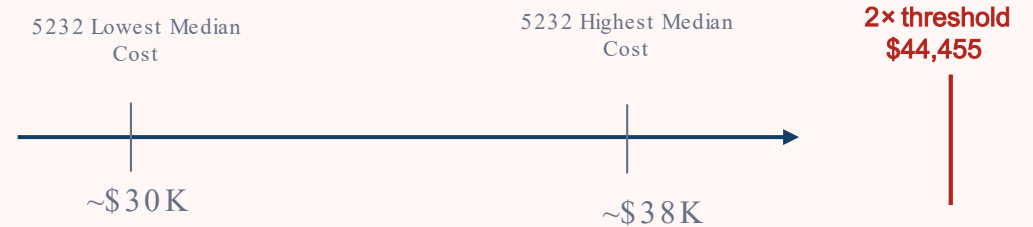


Impact: Qualifying combinations (frequency plus 2x violation) can be promoted to the next higher -paying APC

Compare: Endovascular Level 1 (APC 5191) Pmt \$3740

Higher-cost APCs: threshold may be impractical

Example: ICD Level 2 (APC 5232) with Pmt \$35,204



Impact: All significant procedures in 5232 have lower costs than the threshold of \$44,455; costly procedure combinations may still fail to qualify, leaving hospitals exposed to significant underpayment

Compare: ICD Level 1 (APC 5231) Pmt \$25,052

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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