

# CMS Proposes Major Policy Shift from Inpatient to Outpatient Surgeries

CY 2026 OPPTS/ASC Proposed Rule: Inpatient Only (IPO) List and ASC Covered Procedure List (CPL) Changes  
By **Beth Cobb RN, BSN, ACM, CCDS**, *Manager of Clinical Analytics at RealTime Medicare Data and Medical Management Plus Inc.*, and **Anita Meyers, RHIT, CCS**, *Inpatient Coding Services at Medical Management Plus Inc.*, with AI assistance on document design only.

Source: CMS Proposed Rule + RTMD Medicare FFS paid claims

## Executive Summary

The Centers for Medicare & Medicaid Services has released a proposal that could upend where millions of Americans undergo surgery. Under the draft calendar-year 2026 rule, CMS proposes to eliminate the IPO List and simultaneously add most of those same procedures to the ASC CPL. If finalized, 285 codes would be removed from the IPO List and 271 of them would become eligible for payment in hospital outpatient departments and freestanding ASCs. These proposals, together with RTMD's observed payment trends, signal a structural realignment toward outpatient and ASC care.

## Key Takeaways

- CMS proposes to eliminate the IPO List over a three-year period.
- RTMD data shows that for CY 2026 about 261K inpatient cases and \$4.5B in payments are potentially in play nationally.
- Hospitals should act now—quantify risk, build outpatient capacity, and shape the final rule through comments.
- Organizations should adjust care pathways and cost structures ahead of policy go-live.

## What CMS Proposes

3

The **number of years** proposed to eliminate the IPO List.

285

The number of surgeries proposed for **removal from the IPO List in CY 2026**.

271

The number of surgeries **proposed for addition to the ASC CPL** if finalized for removal from the IPO List.

276

The number of **surgeries not on the CY 2025 IPO List** that are **proposed for addition to the ASC CPL**.

## Why It Matters

RTMD observed an inflection point in April 2024: professional and outpatient payments outpaced inpatient and hospital outpatient payments and have remained higher, indicating a sustained shift toward ambulatory care.

The proposed rule would accelerate this trend by expanding the number of procedures eligible for outpatient and ASC settings.

## History of IPO List

**CY 2000:** The IPO List was implemented to identify services that due to the invasive nature of the procedure, the underlying physical condition of a Medicare beneficiary, or the need for at least 24 hours of postoperative care, Medicare would only pay for the service when furnished in the hospital inpatient setting.

**CY 2021:** The IPO List was to be eliminated over a 3-year transition with 298 services (including 266 musculoskeletal-related services) being eliminated in 2021.

**CY 2022:** The elimination of the IPO was halted and most of the 298 services removed in CY 2021 were added back to the IPO List.

**CY 2026:** In the proposed rule, CMS indicates they believe that the difference between the need for inpatient care and the appropriateness of outpatient is becoming less distinct for many services and the IPO List is no longer needed.

CMS recognizes that “given the significant number of services on the list...interested parties may need time to adjust to the removal of procedures from the list. Providers may need time to prepare to furnish newly

removed procedures on an outpatient basis, update their billing systems, and gain experience with newly removed procedures eligible to be paid under either the IPPS or OPPIPS.”

## How Big Is the Potential Shift from the IPO List? (RTMD Analysis)

We believe CMS’ second attempt to eliminate the IPO list will be successful. At the same time, there will still be many procedures that will continue to meet the 2-midnight expectation (i.e., transplant patients, CAR T-cell therapy).

Using our data methodology discussed below, we believe there are 58 surgical DRGs that include procedures proposed for removal from the IPO List that could be performed in a hospital outpatient or in an ASC with a lower reimbursement. The deduction in revenue does not include the beneficiary’s out-of-pocket cost.

The scale of this policy change becomes evident when examining the FY 2024 Medicare Fee-for-Service claims data from RealTime Medicare Data:

### National Scope and Impact

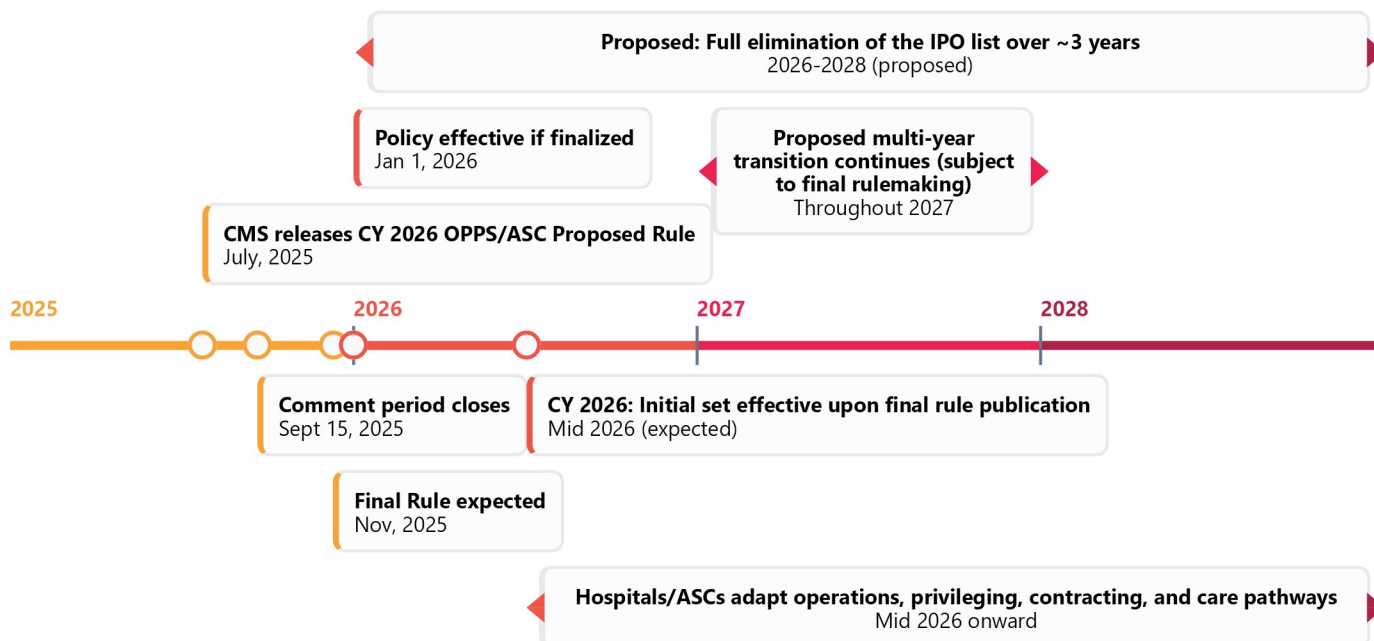
Metric	Value
Inpatient claims containing proposed IPO deletions	≈261K for CY 2026 (1.4M over three years)
Medicare payments currently tied to those stays	≈\$4.5B for CY 2026 (\$41B over three years)
Top 5 DRGs by volume including a code proposed for removal from the IPO List	DRGs 467, 493, 253, 482, and 472 (in descending order)
Top 5 States by volume to be impacted by Policy Change	CA (22.7K claims), FL (21.9K claims),TX (20.3K claims), NY (14.0K claims), PA (11.9K claims)

### Data Methodology for the RTMD Analysis

- **Objective:** Identify inpatient DRGs containing procedures on the IPO removal list that could shift to outpatient or ASC and quantify potential impact using RTMD Medicare FFS data.
- **Challenge:** There is not an available crosswalk of CPT codes to ICD-10-PCS codes, and ICD-10-PCS codes can group to more than one DRG and at times to more than one Major Diagnostic Category(MDC).
- **Step 1 (crosswalk):** A coding professional used a nationally utilized grouper and encoder to map the 285 IPO CPT codes to ICD-10-PCS, yielding the 102 most common DRGs associated with those PCS codes.
- **Step 2 (filtering for likely outpatient):**
  - Removed all surgical DRGs with MCC due to higher severity and longer expected LOS.

- Used FY 2024 RTMD claims to exclude DRGs with a low proportion of short-stay admissions.
- Applied clinical/coding judgment to exclude complex procedures (e.g., extensive/multilevel spinal fusions).
- **Step 3 (final analytic cohort):** Reduced the set to 58 DRGs and summarized FY 2024 volume and payment. Totals: 260,918 claims and \$4,549,547,030 paid; top five DRGs by impact were 467, 493, 253, 482, and 472.

## OPPS/ASC Policy Timeline



- ◆ Medicare claims data
- ◆ Full census
- ◆ 90 days post payment
- ◆ Inpatient, Outpatient, CMS 1500
- ◆ 50 states & D.C.
- ◆ Over 16.4 billion claims

**RealTime Medicare Data, LLC**  
 3918 Montclair Road  
 Suite 210 Crestbrook Plaza  
 Mountain Brook, AL 35213

**Disclaimer:** This document is for informational purposes only and does not constitute legal or medical advice. Please consult with a qualified professional for specific guidance.

[rtmd.org](https://rtmd.org)