



California Public Employees' Retirement System

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Centers for Medicare and Medicaid Services

Department of Health and Human Services

Attention: CMS-1849-P

P.O. Box 8013

Baltimore, MD 21244-8013

June 9, 2026

Subject: Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2027 Rates; Requirements for Quality Programs; and Other Policy Changes

To Whom It May Concern,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing in response to the Centers for Medicare and Medicaid Services (CMS) 2027 Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System Proposed Rule.

CalPERS serves more than 1.5 million members and is the largest purchaser of public employee health benefits in California and the second largest public purchaser in the nation after the federal government. In 2025, CalPERS enrolled 154,548 members in Medicare Supplemental plans and 187,148 in Medicare Advantage plans.¹ We contract with numerous large health insurance companies to offer members a variety of health plan options, including health maintenance, preferred provider, and exclusive provider organization products.

Proposed Comprehensive Care for Joint Replacement Expanded (CJR-X) Model

CalPERS supports the proposed expansion and mandatory participation of the CJR-X model to all eligible acute care hospitals nationwide. This expansion represents an important step toward better aligning reimbursements with episode-based care and quality outcomes. The CJR model has proven effective at reducing costs while maintaining the quality of care for lower extremity joint replacement episodes.

¹ See CalPERS 2024-25 Facts At A Glance, Calendar Year 2023, *available at* <https://www.calpers.ca.gov/documents/facts-health-benefits-program/download?inline>

Proposed Revision to Provider-Based Location Criteria Regulations Applicable to Off-campus Facilities or Organizations

CalPERS supports the proposal to limit the referral-based test to outpatient departments, which would curtail hospitals' ability to exploit provider-based billing arrangements for higher CMS reimbursement rates. Payment rate disparities across care settings create incentives for hospitals to acquire physician practices and then bill for the same service under the higher-paying framework. Implementing site-neutral payment policies has the potential to lower health care costs, curb vertical consolidation, and reduce beneficiary cost-sharing obligations.

CalPERS' experience with similar strategies supports this approach. In 2012, CalPERS launched an ambulatory surgical center (ASC) reference pricing program targeting severe price inflation at hospital outpatient departments by capping payments for cataract, colonoscopy, and arthroscopy procedures performed outside of freestanding ASCs. As a result, routine colonoscopies performed at lower-cost ASCs climbed from 70% to over 90%, significantly outperforming the commercial market baseline of 75%. Program evaluations revealed \$5 million in annual savings representing an average 21% cost reduction. Over a two-year period, colonoscopies saved \$7 million (28% reduction), arthroscopies saved \$2.3 million (17% reduction), and cataract surgeries saved \$1.3 million (20% reduction). In 2018, CalPERS expanded this model to 12 additional endoscopic and laparoscopic procedures due to the program's success.

Site-neutral policies that cap payments based on the lowest-cost, safest site of service are effective at migrating care out of expensive hospital outpatient departments without compromising patient outcomes. We therefore urge CMS to finalize the proposed revision to provider-based location criteria regulations, and encourage further application of these strategies where appropriate.

We thank you for your consideration and we welcome the opportunity to work with you on our shared goals of improving health care access, quality, and affordability. Please do not hesitate to contact Donald Moulds, CalPERS Chief Health Director, at (916) 795-0404, or Danny Brown, Chief of the CalPERS Legislative Affairs Division, at (916) 795-2565.

Sincerely,

Marcie Frost
Chief Executive Officer