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Executive Order Pushes Medicare Payment Cuts for 340B Hospitals and Site-Neutral Payments

April 23, 2025

INSIGHTS

- **Interested Parties:** Health systems, health system-owned physician practices, pharmacies, pharmacy managers, health care construction project managers and developers, and health care architectural services companies.
- Health systems converting outpatient facilities (infusion, imaging, radiation oncology, ambulatory surgical centers, etc.) may undergo reimbursement changes if the federal government moves forward with site-neutral and/or 340B payment reductions.
- Consider convertible spaces or semi-permanent structures when converting physician space to hospital outpatient space (in the event such spaces are converted back to physician office space).

In an [executive order](#) issued on April 15th, President Trump requires the HHS Secretary to propose regulations preventing Medicare from encouraging higher drug administration volume in hospital outpatient departments rather than physician offices. These regulations seek to expand site-neutral payments, reviving an initiative undertaken by the House of Representatives in the failed 2023 [Lower Costs, More Transparency Act](#). Health care systems and construction and architecture companies may consider assessing methods for spaces to remain flexible as these regulations, which will be proposed within the next six months, take shape.

Additionally, President Trump aims to lower Medicare outpatient hospital drug payments made to 340B hospitals. Despite similar efforts during President Trump's first term ultimately resulting in the [Supreme Court requiring CMS to reverse cuts](#) to Medicare payment rates for 340B drugs, the renewed effort is buttressed by recent industry attacks against the 340B program (for example, [manufacturer threats to employ a rebate system](#)). The impact of this executive order on hospitals participating in the 340B program could significantly affect health system growth and strategy plans to expand and/or consolidate into suburban and rural areas.

Stay tuned in early May for a new episode of [Redefining Health Law](#) with Tara Ravi, discussing the attack on 340B and its influence on the conversion of outpatient space and hospital-physician acquisitions. This will be the first in a series examining operational, compliance, reimbursement, regulatory and legislative considerations driving hospital-physician acquisitions and the conversion of spaces into outpatient facilities. We will also examine these conversions from the perspective of the healthcare consumer.

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