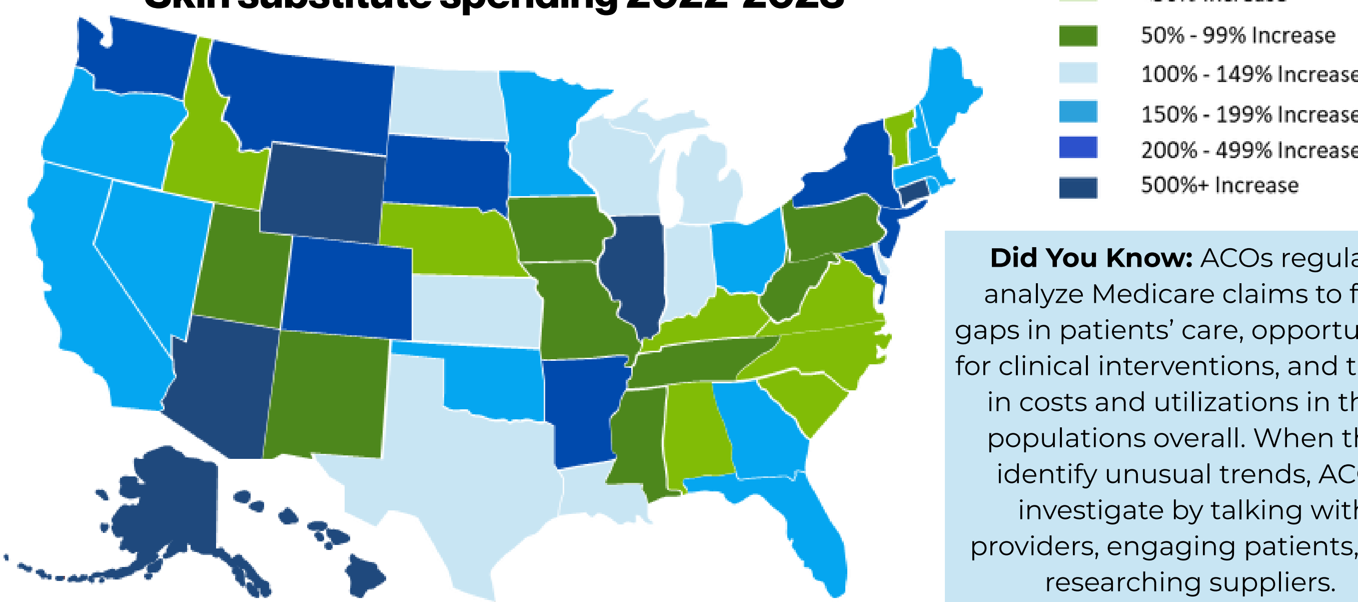
Policy Recommendations to Curtail Skyrocketing Skin Substitute Spending

Medicare payments for skin grafts rose from $1.6 billion in 2022 to $4.5 billion in 2023 and $10.2 billion in 2024.

Through their routine review of Medicare data, accountable care organizations determined increases in skin substitute spending have been driven by several behaviors by bad actors:

- Introducing and using new and expensive skin graft products;
- Using skin substitutes in patients who are poor candidates for specialty wound care, including hospice patients receiving significant wound care in the last 3 days of life; and
- Exceeding recommended treatment minimums and continuing to treat wounds beyond clinical need.

Skin substitute spending 2022-2023



Did You Know: ACOs regularly analyze Medicare claims to find gaps in patients' care, opportunities for clinical interventions, and trends in costs and utilizations in their populations overall. When they identify unusual trends, ACOs investigate by talking with providers, engaging patients, and researching suppliers.

There has been wide geographic variation in spending increases. Where some states have seen a 500% increase in spending, others have less than a 100% increase in spending between 2022 and 2024. Despite these variations, most ACOs are protected by the trend factor and will not face financial penalties that threaten their shared savings for care delivered in 2024.

Smaller ACOs and those treating patients with complex needs have been differentially harmed by increased spending on skin substitutes.

CMS Must Take Action

1. Ensure ACOs are not held accountable for fraud, waste, and abuse outside of their control.

2. Amend its payment policy to close loopholes that promote the use of new, expensive products; and create consistent coverage determinations.

Holding ACOs Harmless

The ACOs most impacted by increaesd spending in skin substitutes are small and serve complex and high needs patient. Smaller ACOs cannot withstand extreme spending from several outlying patient uses. Additionally, ACOs serving high-needs and complex patients care for populations who receive more wound care at baseline. Extreme growth in spending has brought these ACOs beyond trend.

It is imperative that CMS administers policies specific to these ACOs to alleviate substantial fallout, such as:

- Setting a truncation factor for skin substitute spending to bring ACOs higher than trend within trend;
- Allowing REACH ACOs to retrospectively opt-in to the CMS stop loss;
- Removing the skin substitute trend from retrospective trend adjustment for REACH ACOs; and
- Allowing ACOs to reopen settlements from two or three years prior if criminal proceedings are initiated against potentially fraudulent providers who rendered services to ACO-aligned beneficiaries.

Amending Payment Policy to Close Loopholes

NAACOS supports changes to payment and coverage policies that close the loophole promoting the use of new and expensive products and create consistent coverage determinations.

- CMS should finalize payment policy changes proposed in the CY 2026 Medicare Physician Fee Schedule Rule.
  - Paying skin substitutes as incident-to supplies
  - Developing a single payment rate across all products
  - Paying skin substitutes approved by FDA as biologics at the average sales price, plus 6%
  - The Skin Substitute Access and Payment Reform Act of 2025 (S. 2561) does not go far enough to cap payment
- CMS should implement a new National Coverage Determination (NCD) for skin substitutes.
  - The proposed Local Coverage Determinations (LCDs) for skin substitutes would be insufficient because they are limited to wound care for lower extremity treatment of diabetic foot ulcers and venous leg ulcers.