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Abe Sutton, JD
Deputy Administrator
Center for Medicare & Medicaid Innovation
Centers for Medicare & Medicaid Services

Chris Klomp, MBA
Deputy Administrator
Center for Medicare
Centers for Medicare & Medicaid Services

RE: Protecting ACOs and Physicians from Skyrocketing Skin Substitute Spending

Dear Deputy Administrators Sutton and Klomp:

The undersigned organizations thank you for your attention to the challenges posed by increased billing for skin substitutes. We strongly urge the Centers for Medicare & Medicaid Services (CMS) and the CMS Innovation Center to use their existing authority to ensure that accountable care organizations (ACOs) and Merit-based Incentive Payment System (MIPS) eligible clinicians are held harmless from this increased spending, which often constitutes egregious examples of waste, fraud, or abuse.

As you know, Medicare spending on skin substitutes has experienced unprecedented growth, increasing from \$256 million in 2019 to more than \$10 billion in 2024, with CMS leadership projecting expenditures could exceed \$20 billion by 2026.¹ Although some of this spending stems from appropriate wound care, the evidence suggests that much of it represents wasteful or even fraudulent activity.²

For clinicians participating in ACOs, the use and related costs associated with skin substitutes is often driven by factors outside their direct influence. For example, many ACOs have reported that mobile wound-care clinics operating outside of their network are fueling sharp and often inappropriate increases in the use of high-cost products. ACOs are actively working to stop fraud and curb wasteful and abusive skin substitute spending by developing wound care protocols, enhancing care management practices, and coordinating direct outreach to clinicians who have billing and treatment patterns that raise concerns. Yet ACOs continue to see increases in spending on skin substitutes in 2025, with \$7.7 billion in Medicare Part B billing in just the first six months of the year.³

Such spending poses increasing problems for ACOs, as it causes their overall spending to exceed benchmarks and impairs their ability to meet targets for gross and shared savings. In the Medicare Shared Savings Program (MSSP), Accountable Care Organization Realizing Equity, Access, and Community Health (ACO REACH), and the Comprehensive Kidney Care Contracting Model (CKCC), trend adjustments do not adequately account for the increased billing for skin substitutes. These entities frequently serve beneficiaries with complex conditions, even as the trend factors have been arbitrarily lowered due to existing policy (e.g., the Accountable Care Prospective Trend and the symmetrical corridors on the Retrospective Trend Adjustment).

Additionally, the stop loss policy in these models accounts for high-cost beneficiaries but does not account for less extreme cases that are cumulatively significant. Ultimately, this situation leaves the clinicians in these models financially accountable for improper billing. Similarly, physicians participating

¹ <https://www.cms.gov/newsroom/press-releases/cms-modernizes-payment-accuracy-significantly-cuts-spending-waste>

² www.healthaffairs.org/content/forefront/three-ways-cmmi-applying-evidence-protect-patients-providers-and-taxpayers

³ https://www.naacos.com/wp-content/uploads/2025/10/Skin_graft_US_spending_public_10.23.25_update.pdf

in MIPS will be penalized on the MIPS cost measures due to aberrant and potentially wasteful, fraudulent, or abusive spending on skin substitutes.

Clinicians should not be held accountable for wasteful, abusive, or fraudulent spending that is outside of their control. To keep participants in the MSSP, ACO REACH, and CKCC, as well as to encourage physicians in MIPS to transition to alternative payment models, CMS must ensure that these clinicians are not unfairly penalized. CMS should explore approaches to holding clinicians harmless using the agency's existing policy authority, as was outlined by stakeholders in a 2024 letter calling on CMS to address the impacts of anomalous billing for durable medical equipment.⁴

Thank you for your consideration in ensuring that clinicians are not penalized by improper skin substitute spending. We look forward to our continued engagement and partnership with CMS to identify and resolve future instances of fraud, waste, and abuse, and to protect the interests of the Medicare Trust Fund.

Sincerely,

America's Physician Groups
American Hospital Association
American Medical Association
Health Care Transformation Task Force
National Association of ACOs
Premier Inc.
American College of Physicians
American Society for Radiation Oncology
AMGA
Association of American Medical Colleges
Federation of American Hospitals
Medical Group Management Association
Renal Physicians Association

⁴ <https://www.naacos.com/wp-content/uploads/2024/07/CoalitionLetter-SAHSMitigationforACOs.pdf>