

## 2026 Proposed Physician Fee Schedule Increases Payments

On July 14, 2025, the Centers for Medicare & Medicaid Services (CMS) released its proposed Medicare Physician Fee Schedule (MPFS) for calendar year (CY) 2026. In addition to the agency's suggested increase to physician payments, the proposed rule also announces a new payment model and more telehealth flexibilities.<sup>1</sup> According to CMS, the "proposed rule is one of several proposed rules that reflect a broader Administration-wide strategy to create a health care system that results in better quality, efficiency, empowerment, and innovation for all Medicare beneficiaries."<sup>2</sup>

The MPFS calculates payments according to Medicare's Resource Based Relative Value Scales (RBRVS) system, which assigns relative value units (RVUs) to individual procedures based on the resources required to perform each procedure. Under this system, each procedure in the MPFS is assigned RVUs for three categories of resources: (1) physician work (wRVUs); (2) practice expense (PE RVUs); and, (3) malpractice expense (MP RVUs). Once the procedure's RVUs have been modified for geographic variance, they are summed, and the total is then multiplied by a conversion factor to convert the number to a dollar amount.

The conversion factor is a fixed monetary amount that is multiplied by the geographically-adjusted RVU to determine the payment amount for a given service.<sup>3</sup> The conversion factor is updated annually according to the predetermined update schedule set forth in the Medicare Access and CHIP Reauthorization Act (MACRA); while this update was 0% from 2020 through 2025, Congress occasionally overrode MACRA and mandated temporary payment increases.<sup>4</sup> For 2026, MACRA mandates a slight annual update for those clinicians who participate in one of the two Quality Payment Program (QPP) tracks: Advanced Alternative Payment Model (APM) participants will receive a 0.75% increase; Merit-based Incentive Payment System (MIPS) participants (and other non-APM participants) will receive a 0.25% increase.<sup>5</sup>

As required by MACRA, CMS proposes two separate conversion factor increases – one for APM participants and one for nonparticipants. The proposed MPFS conversion factor of \$33.59 for APM participants is a 3.83% increase from 2025, while the proposed conversion factor of \$33.42 for nonparticipants is a 3.62% increase.<sup>6</sup> These increases reflect:

- (1) The MACRA updates discussed above;
- (2) A one-time 2.5% increase as stipulated in the recently-passed tax bill; and
- (3) A 0.55% adjustment to account for proposed wRVU changes.<sup>7</sup>

If finalized as proposed, this will be the first year in the past half-decade that CMS increases the conversion factor.<sup>8</sup>

Based on the proposed rule's chart of specialty impacts, it appears that the "winners" of the proposed rule include physicians specializing in allergy and immunology and vascular surgery, while the "losers" include infectious disease specialists and neurosurgeons.<sup>9</sup> Notably, the payment impacts are widely different depending on the site of service (e.g., in a physician office versus in a hospital).

CMS also proposes the implementation of a -2.5% "efficiency adjustment" to wRVUs for non-time-based services, based on a five-year lookback of the Medicare Economic Index (MEI) medical practice cost inflation.<sup>10</sup> This cut would affect approximately 9,000 codes, but would not apply to evaluation and management services, care management services, behavioral health services or services on the Medicare Telehealth Services List.<sup>11</sup> The calculation of how many wRVUs to attribute to a given procedure was historically determined by the American Medical Association's (AMA's) Relative Value Scale Committee (RUC), based on physician surveys.<sup>12</sup> While CMS states that it "expects that moving away from survey data would lead to more accurate valuation of services over time and help address some of the distortions that have occurred in the MPFS historically," many physician groups, including the AMA, have lambasted the proposal, arguing that it may encourage physicians to increase volume to make up for that lost revenue.<sup>13</sup> Over the years, the AMA has had a strong hand in calculating the wRVUs, and has been criticized over the methodology used and conflict of interest concerns.<sup>14</sup>

In addition to payment rate changes, CMS proposes a new five-year mandatory payment model for specialists. The Ambulatory Specialty Model (ASM) would be a two-sided risk model for specialty care provided to beneficiaries with heart failure or lower back pain starting in 2027.<sup>15</sup> The goal of the model is "to improve prevention and upstream management of chronic disease,

[leading] to reductions in avoidable hospitalizations and unnecessary procedures.”<sup>16</sup> Similar to the MIPS Value Pathways (MVP),<sup>17</sup> participant performance will be assessed for quality, cost, improvement activities, and improving interoperability.<sup>18</sup>

Other proposals CMS suggests for 2026 include:

- (1) Simplifying the process for adding codes to the Medicare Telehealth Services List;
- (2) Cutting payments for skin substitutes,<sup>19</sup> which have increased 40-fold over the past five years (costing CMS \$10 billion in 2024);<sup>20</sup>
- (3) Limiting how long some Medicare Shared Savings Program (MSSP) participants can stay in one-sided risk arrangements; and
- (4) Increasing the minimum number of Medicare beneficiaries that MSSP participants must cover to 5,000.<sup>21</sup>

Healthcare stakeholders were cautiously pleased with the MPFS proposed rule, largely due to the prospect of the payment increase, although many called the increase “underwhelming.”<sup>22</sup> The American College of Physicians (ACP) expressed cautious optimism,

supporting the new wRVU adjustment.<sup>23</sup> The American Academy of Family Physicians (AAFP) was similarly “encouraged” by the provisions that aim to strengthen primary care, such as the wRVU adjustment and the increase to the conversion factor. However, the AAFP expressed concern that the adjustments underlying the conversion factor increase are temporary, providing physicians no assurance that payment increases will continue, or even keep up with rising costs and inflation.<sup>24</sup> The National Association of ACOs (NAACOS) was also encouraged, but by CMS’s “attention to wasteful and abusive billing practices” in the proposed rule, including “new payment policies to pay for skin substitutes.”<sup>25</sup> The president and CEO of America’s Physician Groups welcomed the payment increases, calling them “positive shifts, which we hope bodes well in terms of making future changes to compensate physicians fairly and preserve access to health care for Medicare beneficiaries.”<sup>26</sup>

Stakeholders may submit comments related to the proposed rule by September 12, 2025.

- 1 “Calendar Year (CY) 2026 Medicare Physician Fee Schedule (PFS) Proposed Rule (CMS-1832-P)” Centers for Medicare and Medicaid Services, July 14, 2025, <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2026-medicare-physician-fee-schedule-pfs-proposed-rule-cms-1832-p> (Accessed 7/17/25).
- 2 *Ibid.*
- 3 “Physician and Other Health Professional Payment System” Medicare Payment Advisory Commission, Payment Basics, October 2024, [https://www.medpac.gov/wp-content/uploads/2024/10/MedPAC\\_Payment\\_Basics\\_24\\_Physician\\_FINAL\\_SEC.pdf](https://www.medpac.gov/wp-content/uploads/2024/10/MedPAC_Payment_Basics_24_Physician_FINAL_SEC.pdf) (Accessed 7/17/25).
- 4 Notably, MACRA also provides for annual bonuses for clinicians who participate in various quality payment programs such as MIPS and APMs. “Chapter 1: Reforming physician fee schedule updates and improving the accuracy of relative payment rates” in “Report to the Congress: Medicare and the Health Care Delivery System” Medicare Payment Advisory Commission, June 2025, available at: [https://www.medpac.gov/wp-content/uploads/2025/06/Jun25\\_Ch1\\_MedPAC\\_Report\\_To\\_Congress\\_SEC.pdf](https://www.medpac.gov/wp-content/uploads/2025/06/Jun25_Ch1_MedPAC_Report_To_Congress_SEC.pdf) (Accessed 7/17/25), p. 1; Medicare Payment Advisory Commission, Payment Basics, October 2024.
- 5 “MACRA Frequently Asked Questions” Association of American Medical Colleges, <https://www.aamc.org/about-us/mission-areas/health-care/macra/faq#:~:text=Beginning%20in%202019%2C%20ECs%20participating,am%20an%20APM%20qualifying%20participant?> (Accessed 7/17/25).
- 6 “Calendar Year (CY) 2026 Medicare Physician Fee Schedule (PFS) Proposed Rule (CMS-1832-P)” Centers for Medicare and Medicaid Services, July 14, 2025, <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2026-medicare-physician-fee-schedule-pfs-proposed-rule-cms-1832-p> (Accessed 7/17/25).
- 7 *Ibid.*; “\$1T in healthcare cuts pass Congress, head to Trump” By Michael McAuliff, Modern Healthcare, July 3, 2025, <https://www.modernhealthcare.com/politics-regulation/mh-tax-bill-house-donald-trump/> (Accessed 7/17/25).
- 8 Early, Modern Healthcare, July 16, 2025.
- 9 “Doc Groups Say Proposed Medicare Payment Increase Is Inadequate” By Joyce Frieden, MedPage Today, July 15, 2025, <https://www.medpagetoday.com/publichealthpolicy/medicare/116513> (Accessed 7/17/25); “TABLE 92: CY 2026 PFS ESTIMATED IMPACT ON TOTAL ALLOWED CHARGES BY SPECIALTY” in “Medicare and Medicaid Programs; CY 2026 Payment Policies Under the Physician Fee Schedule and Other Changes to Part B Payment and Coverage Policies; Medicare Shared Savings Program Requirements; and Medicare Prescription Drug Inflation Rebate Program; Proposed rule, Federal Register, Vol. 90, No. 134 (July 16, 2025), p. 32803-32805.
- 10 Centers for Medicare and Medicaid Services, July 14, 2025; Early, Modern Healthcare, July 16, 2025.
- 11 *Ibid.*; “Medicare doctor pay plan would hit specialists, curb AMA clout” By Bridget Early, Modern Healthcare, July 22, 2025, <https://www.modernhealthcare.com/politics-regulation/mh-cms-physician-fee-schedule-billing-codes/> (Accessed 7/22/25).
- 12 “Doctors could see 3.8% Medicare pay bump in 2026” By Maya Goldman, Axios, July 15, 2025, <https://www.axios.com/2025/07/15/doctors-medicare-pay-bump-2026> (Accessed 7/17/25).
- 13 Centers for Medicare and Medicaid Services, July 14, 2025; Frieden, MedPage Today, July 15, 2025.
- 14 “Medicare doctor pay plan would hit specialists, curb AMA clout” By Bridget Early, Modern Healthcare, July 22, 2025, <https://www.modernhealthcare.com/politics-regulation/mh-cms-physician-fee-schedule-billing-codes/> (Accessed 7/22/25).
- 15 “ASM (Ambulatory Specialty Model)” Centers for Medicare and Medicaid Services, July 16, 2025, <https://www.cms.gov/priorities/innovation/innovation-models/asm> (Accessed 7/17/25).
- 16 *Ibid.*
- 17 For more information on MVPs, see “MIPS Value Pathways (MVPs) - The Future of MIPS” MDInteractive, November 18, 2024, [https://mdinteractive.com/mips-blog/mips-value-pathways-mvps-future-mips#:~:text=The%20MIPS%20Value%20Pathways%20\(MVPs,clinician%20report%20under%20the%20program.](https://mdinteractive.com/mips-blog/mips-value-pathways-mvps-future-mips#:~:text=The%20MIPS%20Value%20Pathways%20(MVPs,clinician%20report%20under%20the%20program.) (Accessed 7/17/25).
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- 25 “NAACOS Responds to Proposed 2026 Medicare Physician Fee Schedule” National Association of ACOs, July 14, 2025, <https://www.naacos.com/press-releases-letters-2025/press-release-naacos-responds-to-proposed-2026-medicare-physician-fee-schedule/> (Accessed 7/17/25).
- 26 “Payment Increase And Other Moves To Spur Value-Based Care Are Welcome Steps In Proposed 2026 Medicare Physician Payment Rule, Says APG” America’s Physician Groups, July 14, 2025, <https://www.apg.org/news/payment-increase-and-other-moves-to-spur-value-based-care-are-welcome-steps-in-proposed-2026-medicare-physician-payment-rule-says-apg/> (Accessed 7/17/25).



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