
MEMORANDUM

To: AAHKS **From:** Epstein Becker & Green, P.C.
Date: February 13, 2025
Re: Status of 2025 Medicare Payment Levels for TJA and Prospects for Reform

I. 2025 Medicare Physician Fee Schedule

The Centers for Medicare & Medicaid Services (CMS) published the CY 2025 Medicare Physician Fee Schedule (PFS) Final Rule on December 9, 2024, establishing payment rates for the following year.

a. Background

Recall, Medicare PFS payments, for covered services identified by a CPT code, are based upon national **relative value units (RVUs)** developed by CMS. All RVUs are comprised of three components: (1) **work** (reflecting the practitioner's time and intensity in furnishing the service); (2) **practice expense** (direct costs in clinical labor, medical equipment, and disposable supplies and indirect costs including office expenses, administrative labor and other costs); and (3) **malpractice insurance premiums**.

In calculating payment rates, each of the three RVUs is adjusted to reflect the price inputs for the local market where the procedure is furnished. These adjustments are performed by applying **geographic practice cost indexes (GPCIs)**. The final payment amount is determined by summing the adjusted RVU weights and multiplying the total by a national standard dollar amount, known as the **Medicare conversion factor**. The Medicare PFS is the annual process by which CMS updates the conversion factor and periodically updates RVUs for each service.

b. Conversion Factor

CMS finalized the 2025 conversion factor, upon which all Medicare physician payments are based, at a level of **32.3562**, representing a reduction of 2.8% from 2024 levels. CMS noted the reduction in the conversion factor is mandated under law through the **PFS budget neutrality adjustment** which requires across the board PFS reductions to offset increases in reimbursement for other services. The 2.8% reduction in 2025 consists of:

- The expiration of a 2.93% temporary increase enacted by Congress in 2023.
- A 0.05% adjustment to account for changes in the RVUs of select physician services.

c. RVUs

A small increase in practice expense RVUs and malpractice insurance RVUs for TJA partially offset the 2.8% reduction in the conversion factor, leading to an approximate reduction in the national average Medicare reimbursement for CPT codes 27130 and 27447 of 0.4%, instead of the national average reduction of 2.8%, in 2025.

d. 2025 Impact on Arthroplasty Rates

CMS estimates that the total value of *all Medicare payments* to all orthopedic surgeons for all claims (TJA and other services) will decrease by 1% in 2025.

The following chart presents examples of the 2025 Medicare TKA rate changes in various regions. Also, see **APPENDIX 1, ATTACHED** for a chart showing a multi-year trend in Medicare payment rates for TJA procedures in various settings.

Illustrative Medicare Payment Levels for CPT 27447			
	2024	2025	% Change
Indiana (statewide)	\$1,157.11	\$1,152.73	-0.3%
North Carolina (statewide)	\$1,182.71	\$1,177.88	-0.4%
Oklahoma (statewide)	\$1,185.00	\$1,179.61	-0.4%
Southern Maine	\$1,223.65	\$1,219.28	-0.3%
Ft. Worth, TX	\$1,256.16	\$1,251.00	-0.4%
National average	\$1,262.68	\$1,257.68	-0.4%
Florida (not Miami)	\$1,294.87	\$1,288.06	-0.4%
Suburban Chicago	\$1,363.95	\$1,357.40	-0.4%
San Francisco/Berkley	\$1,451.80	\$1,449.34	-0.1%
Manhattan, NY	\$1,472.11	\$1,465.00	-0.4%

II. Failed Congressional Efforts in 2024 End-of-the Year “Lame Duck” Session

Throughout 2024, Congress had been working on a bipartisan basis on a package of health care legislation to be passed during the Congressional “lame duck” session in December before the new Congress was sworn in the early January. Ultimately, incoming-President Trump and Republican Congressional leadership determined not to continue work on a bipartisan package and instead re-evaluate those issues later in 2025. While there was no final decision on which provisions would have been included in the legislation, Medicare payment relief for physicians was widely assumed to have been among the highest priorities.

The last draft of that legislation would have increased the Medicare conversion factor by 2.5%, but only for 2025. **This would have resulted in national average 2025 payment levels for CPT 27447 of \$1,289.45, an increase of 2.1% over 2024 levels.**

III. House of Medicine United Around New Proposal for 2025 Payment Relief

On January 29, 2025, bipartisan lawmakers introduced HR 879, the *Medicare Patient Access and Practice Stabilization Act*. This legislation has been endorsed by AAHKS, AMA and nearly all the House of Medicine as the main advocacy target to provide short-term Medicare payment relief for 2025.

HR 897 would increase the Medicare conversion factor by 6.62% between April 1 and December 31, 2025. **This would result in national average payment levels for CPT 27447 of \$1,341.28 for the balance of 2025.** Congressional sponsors of the legislation state the reason for the large increase is to aid physician practices in dealing with projected inflation in practice expenses.

National Average Medicare Payment Trends for Hip and Knee Surgeries in the United States

(actual procedures rates vary by region or facility)

Code (DRG/CPT)	2020		2021		2022		2023		2024		2025 FINAL		% Change from 2024
	Weight/RVUs	Rate	Weight/RVUs	Rate	Weight/RVUs	Rate	Weight/RVUs	Rate	Weight/RVUs	Rate	Weight/RVU	Rate	
IPPS^{1,2}													
469	3.1399	\$18,200.84	3.0989	\$18,530.61	3.0866	\$18,952.62	3.2314	\$20,602.57	3.3298	\$21,636.27	3.2685	\$21,591.71	-0.2%
470	1.9684	\$11,410.09	1.9104	\$11,423.69	1.9015	\$11,675.76	1.9119	\$12,189.78	1.8817	\$12,226.85	1.8855	\$12,455.61	+1.87%
521	--	--	3.0652	\$18,329.99	3.0663	\$18,827.97	3.0192	\$19,249.63	2.9942	\$19,455.62	2.9146	\$19,253.84	-1.01%
522	--	--	2.1943	\$13,121.34	2.1903	\$13,449.08	2.1729	\$13,853.85	2.1122	\$13,724.59	2.1082	\$13,926.76	+1.47%
OPPS													
27130	147.2988	\$11,899.38	148.7344	\$12,314.76	149.6049	\$12,593.29	152.4576	\$13,048.08	143.6551	\$12,552.87	144.2970	\$12,866.82	+2.5%
27447	147.2988	\$11,899.38	148.7344	\$12,314.76	149.6049	\$12,593.29	152.4576	\$13,048.08	143.6551	\$12,552.87	144.2970	\$12,866.82	+2.5%
ASC													
27130	--	--	180.4429	\$8,833.04	180.8564	\$9,027.63	183.3725	\$9,508.60	172.7471	\$9,244.39	172.1293	\$9,449.04	+2.2%
27447	180.3081	\$8,609.17	179.2409	\$8,774.20	179.6492	\$8,967.37	179.7859	\$9,322.62	169.2021	\$9,054.68	168.6055	\$9,255.60	+2.2%
PFS³													
27130	36.0896	\$1,415.07	34.8931	\$1,322.45	33.5983	\$1,277.40	38.39	\$1,300.92	38.63	\$1,264.64 ⁴	38.93	\$1,259.38 ⁵	-0.4%
27447	36.0896	\$1,413.27	34.8931	\$1,320.70	33.5983	\$1,276.06	38.35	\$1,299.57	38.57	\$1,262.68	38.88	\$1,257.68 ⁶	-0.4%

¹ **National Payment Amount** – Projected by CMS of the baseline amount that will be paid nationally for the MS-DRG. This amount **DOES NOT INCLUDE** facility-specific calculation of teaching, disproportionate share, capital, and outlier payments for all cases. See footnote 2.

² Assumes hospital with wage index greater than 1.0 that reported quality data and is a meaningful EHR user.

³ **National Average Payment Amount** – Local variations in the Medicare Geographic Practice Cost Index applied to procedure RVUs lead to higher or lower amounts depending on region.

⁴ Final CY 2024 Conversion Factor, as amended by the Consolidated Appropriations Act, 2023: 33.2875.

⁵ Final CY 2025 Conversion Factor: 32.3562.

⁶ Congress may act to increase the 2025 conversion factor as a part of a Republican Budget Reconciliation package in March/April 2025.