AAHKS
AMERICAN ASSOCIATION OF HIP AND KNEE SURGEONS

EPSTEIN BECKER GREEN

Overview of Major Proposed Changes to Medicare Provider Payment Policy for 2026

Physician Payment Summary

- CMS rapidly moving away from reliance on AMA RUC recommendation to set Medicare rates for physicians
- "*Make American Healthy Again*" initiative means favoring payment rates for primary and preventive care over rates that "reward providers for surgeries and costly procedures"
- These proposed reductions to RVUs for surgeries and facility-based procedures more than outweigh recent Congressional action to increase by 2.5% physician rates in 2026

OPPS & ASC Payment Summary

- CMS expanding Medicare coverage of more procedures in outpatient and ASC settings
- Intending to give physicians more freedom to choose most appropriate site of service for procedure but also enabling payers to drive coverage to lowest cost site of service
- Positive facility rate increases for THA and TKA consistent with recent history

Background: How Medicare Physician Rates are Calculated

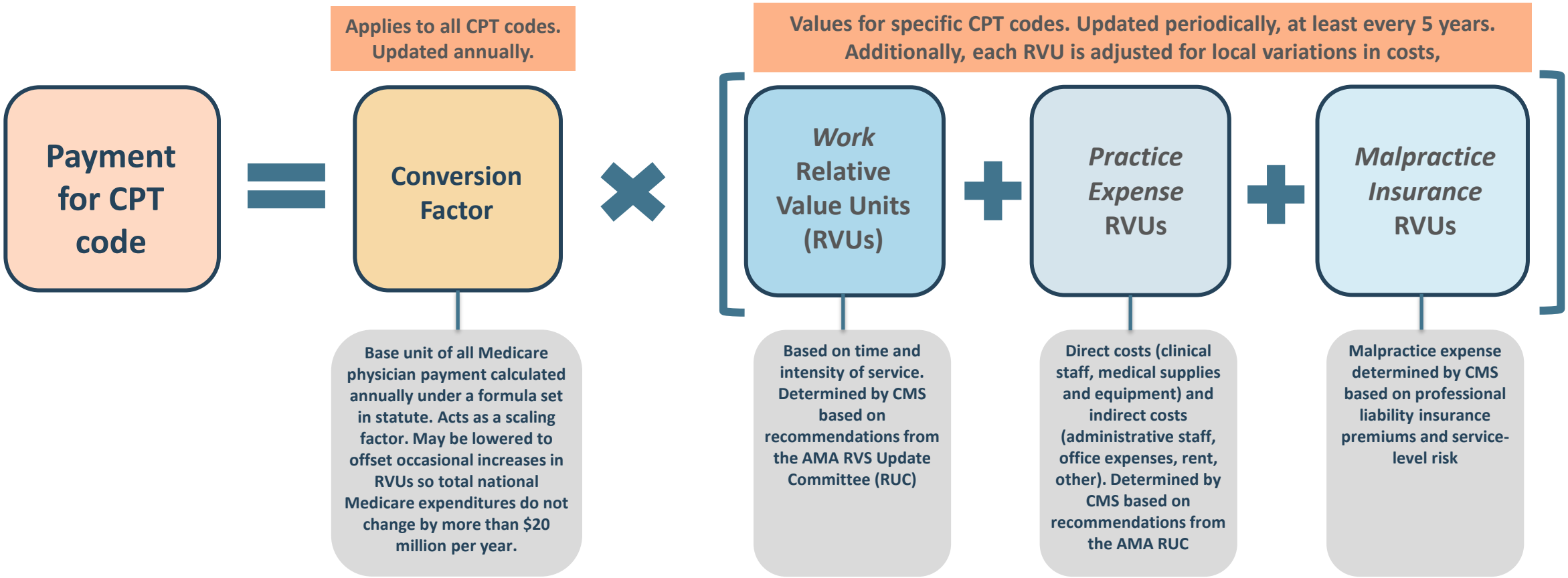

Illustration of 2025 Payment Rate for CPT 27447 – Total Knee Arthroplasty

$1,257*	=	$32.3465	×	19.60	+	15.30	+	3.98

* - National average amount that does not include local variations in rates based on the Geographic Practice Cost Index

Significant Changes Proposed for 2026 Medicare Physician Payments

PROMOTING PRIMARY AND PREVENTIVE CARE OVER "COSTLY PROCEDURES"- MOVING AWY FROM AMA RUC VALUES

2026 Rates for CPT 27447*

$1,170.61
(7.0% reduction from 2025 for Qualifying APM Participants)

$1,164.68
(7.4% reduction from 2025 for non-Qualifying APM Participants)

Applies to all CPT codes in 2026

$33.59
Qualifying APM Participant (QP) Conversion Factor
(3.83% increase from 2025)

$33.42
Non-QP Conversion Factor
(3.32% increase from 2025)

Values for CPT 27447. RVU adjustments in 2026 vary by procedure.

19.11
Work Relative Value Units (RVUs)
(2.5% reduction from 2025)

CMS says recommendations from the AMA RUC are subjective, overinflated, unreliable and reflect a conflict of interest. To mitigate these effects, CMS applies a new "*efficiency adjustment*" of **-2.5%** to reflect assumed gains in efficiency in procedures over time. These negative adjustments **do not apply** to E/M, care management, behavioral health, & telehealth.

11.64
Practice Expense RVUs
(*24.0% reduction* from 2025)

CMS says it cannot rely on recent reported PE survey from the AMA RUC due to "data limitations". Instead, CMS uses a new PE methodology for all procedures to "better reflect contemporary clinical practice." Given the rise in physician employment by hospital systems, CMS no longer assumes that physicians who furnish care in hospitals maintain separate practice locations. PE RVUs are therefore increased for all office-based procedures and decreased for all facility-based procedures.

4.10
Malpractice Insurance RVUs
(3.0% increase from 2025)

Reflecting modest increases in PLI rates

CONVERSION FACTOR INCREASING FROM 3 CHANGES:

- **2 SEPARATE CONVERSION FACTORS (CFs)** – Under the MACRA Act of 2015, Congress requires CMS to implement 2 different CFs beginning in 2026 based on a doctor's "QP status". (To become a QP, doctors must receive at least 75% of Medicare payments or see at least 50% of Medicare patients through an "Advanced APM Entity" (i.e., BPCI-A, CJR, TEAM, or certain managed care contracts, etc.)) Under law, the QP conversion factor is increased **0.75%** in 2026. The non-QP conversion factor is increased by **0.25%.**
- **ONE TIME CONGRESSIONALLY MANDATED INCREASE** – The One Big Beautiful Bill Act of 2025 directs CMS to increase the conversion factor by **2.5%** for 2026 only.
- **BUDGET NEUTRALITY ADJUSTMENT** – In order to prevent total national Medicare payments from changing too much year-to-year, the budget neutrality adjustment increases the conversion factor by **0.55%** to offset the reductions in practice expense RVUs for facility-based procedures and the work RVU reductions from the "efficiency adjustment".

Note earlier signals that Trump Administration would take on AMA:

- In first term, HHS Dep. Sec. told AAHKS that they would like to address AMA RUC concerns if Trump won a second term
- During nomination for HHS Secretary, RFK Jr. told press that he wants to shift Medicare incentives "toward primary care and prevention" and away from AMA RUC values that "reward providers for surgeries or other costly procedures"

* - National average amount that does not include local variations in rates based on the Geographic Practice Cost Index. 2026 rate for CPT 27130 is similar: $1,173.

Major Changes for 2026 Medicare OPPS & ASC Payment Policy

DRIVING MORE PROCEDURES TO MORE OUTPATIENT SETTINGS

Outpatient Prospective Payment System

- **2026 THA/TKA Rate - $13,254**
  - **national average rate without geographic adjustment**
  - **+3.0% increase over 2025**
  - **Based on national hospital market basket increase and a productivity adjustment**

Medicare Advantage-Based MS-DRG Relative Weight Data Collection and Methodology Proposal

- CMS proposes to collect from hospitals the median payer-specific charges that they have negotiated with MA plans and disclosed under CMS' hospital price transparency rules and then use these data to help determine relative Medicare payment rates for inpatient hospital services. CMS is also seeking comment on how other "market-based approaches" could be utilized to improve the accuracy of Medicare FFS payment systems

Elimination of the Medicare Inpatient Only (IPO) List

- CMS proposes to eliminate the Medicare IPO List which designates procedures that will be reimbursed by Medicare only as inpatient admissions. This means that all the listed procedures could be performed in an inpatient or outpatient setting and still be reimbursed by Medicare. CMS believes the "evolving nature of medicine allows for more procedures to be performed on an outpatient basis with a shorter recovery time"
- CMS first proposed, but did not finalize, this policy in 2020 during the first Trump administration
- IPO list would be phased out over 3 years, beginning with 285 musculoskeletal procedures in 2026, encompassing all procedures in the CPT code 27000 series
- CMS proposes an outpatient reimbursement level of **$13,254** for revisions and hip conversions

ASC Payment System

- **2026 THA Rate - $9,667**
  - **national average rate without geographic adjustment**
  - **+2.3% increase over 2025**
  - **Based on national hospital market basket increase and a productivity adjustment**
- **2026 TKA Rate - $9,442**
  - **national average rate without geographic adjustment**
  - **+2.0% increase over 2025**
  - **Based on national hospital market basket increase and a productivity adjustment**

Reform of the ASC Covered Procedures List (CPL)

- CMS proposes to significantly revise the ASC CPL criteria, whereby criteria that previously would exclude a procedure from Medicare reimbursement in an ASC, now becomes non-binding physician considerations for patient safety
- **547** new procedures would be added to the ASC CPL for 2026, which includes **271** procedures that are coming off the IPO List as well as the following CPT codes: 27027, 27057, 27179, 27235, 27477, 27485, 27722