Capitol Insights Newsletter
July 18, 2025

Author: Matt Reiter and Luke Schwartz

What Happened in Congress This Week?

At the July 15, 2025, hearing titled "Right Place, Right Time, Right Treatment with VA Community Care," the House Veterans' Affairs Health Subcommittee discussed how the VA Community Care Program fills important gaps in specialty and rural care but also raises concerns about higher costs, weaker oversight, and risks to VA's direct care system. Lawmakers and witnesses agreed that veterans need both options but emphasized that VA care often offers better outcomes and coordination tailored to veterans' unique needs.

CMS Releases FY2026 Medicare Physician Fee Schedule (PFS)

On July 14th, the Centers for Medicare and Medicaid Services (CMS) released the CY 2026 Medicare Physician Fee Schedule.

Conversion Factor
Most notably for clinicians, CMS is proposing a 2026 PFS Conversion Factor (CF) of 33.5875 for Advanced Alternative Payment Models (APM) participants and 33.4209 for all other clinicians. Both proposed CFs are an increase from the 2025 finalized CF of 32.3465.

Similarly, the proposed Anesthesia CF is 20.6754 for Advanced APM clinicians and 20.5728 for all other clinicians. The 2025 finalized Anesthesia CF was 20.3178. The proposed anesthesia CFs include a -2% practice expense and malpractice adjustment.

Clinicians have not received regular, statutory updates since Congress created the Medicare Quality Payment Program (QPP) in 2015. Beginning in 2026, CMS is statutorily required to begin implementing a 0.75% update for clinicians who participate in Advanced Alternative Payment Models (Advanced APMs) and a 0.25% update for clinicians who either participate in the Merit-based Incentive Payment System (MIPS) or who are exempt from the Medicare QPP.

Additionally, the PFS proposes to implement the one-time 2.5% increase for 2026 that was included in the One Big Beautiful Bill Act. The proposed CFs also include a 0.55% budget neutrality increase.

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1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com

Efficiency Adjustment
CMS is critical of what it characterizes as inaccurate data that informs the American Medical Association's (AMA's) relative value units (RVUs) that are used to determine reimbursement rates. For example, CMS says the AMA's time values are "overinflated."

Medicare is not required to use the AMA's RVUs but they are influential. To account for inaccurate RVUs, CMS is proposing to apply a new -2.5% "efficiency adjustment" to "the work RVU and corresponding intraservice portion of physician time of certain non-time-based services. This adjustment would periodically apply to all codes except time-based codes, such as evaluation and management (E/M) services, care management services, behavioral health services, services on the Medicare telehealth list, and maternity codes with a global period of MMM."

Changes to Practice Expense Value Updates
CMS is also proposing not to use data from the AMA's Physician Practice Information (PPI) survey to inform Practice Expense (PE) updates due to concerns about small sample sizes and sampling variation, low response rates and representativeness, potential measurement error, and incomplete data submission. CMS also will not use the AMA's Clinician Practice Information (CPI) survey data to inform PE updates.

For the indirect cost portion of the PE values, CMS is proposing to recognize greater indirect costs for practitioners in office-based (non-facility) settings compared to facility settings. The initial formula assumed hospital-based clinicians in private practice also maintained separate offices, which necessitated higher overhead reimbursement. CMS describes this as outdated and believes that fewer clinicians are in independent practice and that hospital-based clinicians have lower overhead costs compared to when the formula was first created.

Telehealth
CMS is proposing to stop using the "provisional" coverage category for Medicare telehealth services. If finalized, services would either be not covered at all or covered as permanent Medicare telehealth services.

CMS proposes to permanently remove frequency limitations for subsequent inpatient visits, subsequent nursing facility visits, and critical care consultations.

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CMS is proposing to permanently adopt a definition of "direct supervision" that allows the physician or supervising practitioner to provide such supervision through real-time audio and visual interactive telecommunications (excluding audio-only). However, CMS proposes to reinstate its pre-pandemic supervision policy of only in-person supervision by teaching clinicians of services billed by residents in teaching settings.

Conclusion
This PFS represents the most significant fee schedule in recent years, with direct implications for physicians. It remains to be seen how Secretary Kennedy's apparent distrust of the AMA will affect medical practice as the Trump administration moves forward.

Top Stories in Healthcare Policy

In addition to the Physician Fee Schedule, CMS additionally releases the CY 2026 Hospital Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Payment System Proposed Rule. The Proposed Rule outlines how Medicare pays for hospital outpatient services. CMS proposes a 2.4% payment update for hospitals under OPPS and for ASCs meeting quality reporting requirements. This reflects a 3.2% market basket increase, reduced by a 0.8 percentage point productivity adjustment.

The Consumer Financial Protection Bureau's (CFPB) Rule from the Biden Administration that would have removed a large portion of medical debt from credit reports was overturned by a federal judge earlier this week. If enacted, the rule would have removed $449 billion in medical debt from individuals' credit reports.

A recent study from WalletHub compared stress levels in 182 U.S. cities through 5 dimensions – work, financial, family, health, health/safety stress. Detroit, Michigan took first as the most stressed city while South Burlington, Vermont was the least stressed.

Centers for Medicare & Medicaid Services (CMS) announced this week that 33 new states, the District of Columbia, and Puerto Rico will participate in the Cell and Gene Therapy (CGT) Access Model, which "aims to improve the lives of people with Medicaid living with rare and severe diseases". These additional states and regions represent approximately 84% of Medicaid beneficiaries with sickle cell disease (SCD), improving access to transformative care for this condition.

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The One Big Beautiful Bill Act could have serious financial consequences for medical school students due to the new $200,000 cap on student loan borrowing and the end of the Grad PLUS federal loan program for graduate students. According to the Association of American Medical Colleges, average medical school debt is greater than $210,000. These funding changes contribute to the growing threat of provider shortages in the U.S. and risk deterring students from pursuing needed medical careers.

Following the July 8th Supreme Court decision allowing job cuts and reorganization of several federal agencies, the Department of Health and Human Services (HHS) moved forward with large-scale layoffs on Monday.

The NIH is capping how much publishers can charge NIH-supported scientists to make their research findings publicly accessible in academic journals.

A new national survey from the University of Pennsylvania Annenberg Public Policy Center finds most Americans are turning to artificial intelligence for health information, with 63% finding it at least somewhat reliable. Still, nearly half of respondents were uncomfortable with their providers using AI tools.

The Centers for Medicare & Medicaid Services (CMS) released a recent analysis of 2024 enrollment data, finding that 2.8 million Americans were potentially enrolled in more than one Medicaid and/or ACA Exchange plans.

According to a new report from PwC's Health Research Institute, healthcare costs for commercial payers are expected to increase by 8.5% in 2026, citing ongoing inflationary forces, inpatient and outpatient behavioral health services utilization, and pharmacy spending.

Most of the 24 million Americans with Obamacare coverage will face two major hits to their premiums next year, with double-digit premium increases and the expiration of federal subsidies for covering the plan. Insurers usually raise these premiums to cover typical labor costs and usage but are increasing rates further due to recent policy changes.

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President Trump signed the HALT Fentanyl Act into law on Wednesday. This bipartisan bill permanently classifies all fentanyl-related substances under Schedule I in the Controlled Substances Act, giving law enforcement more authority to act on illegal drug trafficking and carrying stronger penalties for those convicted of distributing or possessing the drug.

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