



The *Medicare Access and CHIP Reauthorization Act of 2015* (MACRA) sought to stabilize physician payment rates in the Medicare fee-for-service (FFS) system and incentivize physicians to move into new value-based payment models. Despite its positive intent, the quality component of the program has proved burdensome and costly due to excessive reporting requirements and inadequate alternative payment model (APM) participation options. Under MACRA's revised methodology for annually updating the Medicare physician fee schedule (PFS), physician payments have not kept up with inflation or the cost of running a medical practice.

In addition to inadequate inflation-based payment updates, since 2021, medical practices have faced significant Medicare reimbursement cuts, requiring Congress to intervene. Medical groups dealt with a 2.83% cut to the Medicare conversion factor for all of 2025.

According to MGMA data, physician practices saw total operating cost per FTE physician increase by over 63% from 2013–2022, while the Medicare conversion factor increased by only 1.7% over the same timeframe. Further, 90% of medical groups reported increased operating costs in 2025. This demonstrates the tenuous financial situation medical group practices face nationwide and the significant reimbursement and cost challenges MGMA sees continuing through 2026.

CONGRESSIONAL ATTENTION

In recent years, Congress has considered, and in some cases finalized, legislation to mitigate Medicare PFS cuts as part of federal government funding packages. However, these mitigation efforts do not cover the full impact of the cuts and are often used as a negotiation tactic for a larger budget agreement. While Congress passed a 2.5% increase to physician payment for 2026, incorporating this increase into the Medicare Physician Fee Schedule barely brings reimbursement above 2024 rates. MGMA supports congressional action focused on improving Medicare physician pay independent of year-end reconciliation efforts.

ADVOCACY PRIORITIES

- ➔ **Reform Medicare Part B to provide annual inflation-based physician payment updates** based on the Medicare Economic Index (MEI)
- ➔ **Modernize the budget neutrality aspect of the Medicare payment system** to stop the harmful effects of this outdated policy on physician reimbursement
- ➔ **Provide positive financial incentives to support practices transitioning into value-based care** that don't rely on a tournament-style redistribution of Medicare funds that creates winners and losers
- ➔ **Oppose efforts to use sequestration and PAYGO rules to offset unrelated congressional spending** to the detriment of Medicare providers
- ➔ **Advance policies that incentivize and reward Part B providers** to reduce the total cost-of-care in the overall Medicare program

With a membership of more than 60,000 medical practice administrators, executives, and leaders, MGMA represents more than 15,000 medical groups in which more than 350,000 physicians practice. These groups range from small private practices in rural areas to large regional and national health systems and cover the full spectrum of physician specialties and organizational forms.

MGMA GOVERNMENT AFFAIRS

1717 Pennsylvania Ave., Suite 600, Washington, DC 20006

202.293.3450 | govaff@mgma.com

www.mgma.com/advocacy

 @MGMA | #MGMAAdvocacy