

Stabilize Medicare Physician Payment

REQUEST: The American Academy of Allergy, Asthma & Immunology (AAAAI) urges members of Congress to **enact policies to provide long-term stability to the Medicare physician payment system**, preserving patient access to care.

BACKGROUND: On January 1, the Centers for Medicare and Medicaid Services' (CMS) Calendar Year (CY) 2025 Medicare Physician Fee Schedule (MPFS) Final Rule went into effect, including a 2.83% cut to Medicare physician payments. We appreciate that Congress, as part of Public Law 119-21¹, provided a temporary payment increase for 2026 to help mitigate the impact of persistent cuts. However, long-term stability is needed and should include:

- **An Inflationary Update** – The *Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)* was established without a yearly automatic inflation adjustment for physicians, unlike other Medicare providers that receive annual payment updates based on an inflation proxy, such as the Consumer Price Index (CPI) or the Medicare Economic Index (MEI). Medicare physician payments declined 29% from 2001 to 2024 when adjusted for inflation in practice costs². The [Medicare Trustees](#)³ and other policy experts have raised concerns about the lack of an inflation measure in the MPFS. Further, over the past three years, MedPAC has recommended physician payment updates equal to 50 percent of the projected MEI increase. In its [June 2025 report](#)⁴, the Commission recommends replacing current-law MPFS updates “with an annual update based on a portion of the growth in inflation, as measured by the MEI,” and for CMS to use timely cost data to refine relative value units (RVUs). While these steps are positive, a full-MEI update is essential to stabilize the Medicare payment system in the long term.
- **Budget Neutrality Reforms** – The AAAAI appreciates past congressional efforts to mitigate cuts in Medicare payments to physicians. However, the incremental adjustments to the conversion factor updates have not fixed the source of the problem. Budget neutrality requirements⁵ and the lack of an inflation-based payment update continue to drive these cuts. The CMS' 2026 conversion factor equals \$33.40⁶. In 2016, the MPFS conversion factor was almost \$36.00.
- **Regular Practice Expense Updates** – Practices that administer medications in the office setting continue to be harmed by CMS' CY 2022 clinical labor pricing update policies that drastically reduced payment for drug administration services. In-office administration, which helps reduce exacerbation and hospitalizations, are severely threatened by these cuts. CMS waiting 20 years to revise the clinical labor inputs made the cut much more severe. To avoid this problem in the future, we urge Congress to require that CMS regularly update direct practice expenses, including clinical labor costs.

The AAAAI strongly supports the *Medicare Patient Access and Practice Stabilization Act (H.R. 879/S. 1640)* which would address the 2.83% MPFS cut and provide an inflationary update for 2025.

CONTACT:

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¹ Sec. 71202, [Public Law 119-21](#)

² <https://www.ama-assn.org/system/files/2025-medicare-updates-inflation-chart.pdf>

³ <https://www.cms.gov/oact/tr/2024>

⁴ <https://www.medpac.gov/document/june-2025-report-to-the-congress-medicare-and-the-health-care-delivery-system/>

⁵ Medicare's budget neutrality requirement (at §1848(c)(2)) mandates that CMS adjust the conversion factor whenever changes in relative value units (RVUs) would increase or decrease PFS expenditures by more than \$20 million annually.

⁶ As established under MACRA, CMS sets two conversion factors for 2026: one for clinicians who are not Qualifying Participants (QPs) in Advanced APMs (shown above), and a separate, higher conversion factor for QPs.