

Assessing payment adequacy and updating payments: Physician and other health professional services

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Presentation roadmap

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- 2 **Assessment of payment adequacy**
- 3 **Draft recommendation**

Overview of use and spending under Medicare's physician fee schedule, 2024



Clinicians

1.5 million



Encounters

679 million



FFS Medicare patients

27.8 million



Payments from Medicare and FFS beneficiaries

\$93.8 billion

Note:
Source:

FFS (fee-for-service). An "encounter" represents an interaction between a beneficiary and clinician for which one or more fee schedule services were billed. MedPAC analysis of Medicare claims data. Number of FFS patients who received a fee schedule service is an estimate based on total Part B FFS enrollment.

Payment adequacy framework



Beneficiaries' access to care

- Patient experiences in surveys and focus groups
- Share of clinicians accepting Medicare vs. private insurance
- Supply of clinicians
- Volume of clinician services



Quality of care

- Ambulatory care-sensitive hospital use
- Patient experience scores



Access to capital

- Not used to assess payment adequacy for physician and other health professional services due to data limitations



Clinicians' revenues and costs

- Spending per FFS Medicare beneficiary
- Growth in clinicians' input costs
- Clinicians' all-payer compensation
- Ratio of private insurance payment rates to FFS Medicare's payment rates

Update recommendation for physician fee schedule payment rates for 2027

Note:

FFS (fee-for-service).

Beneficiaries have relatively good access to clinician services

- In our 2025 survey, Medicare beneficiaries ages 65+ reported access to care that was generally better than that of privately insured people ages 50-64 (including shorter waits for visits)
- Similar shares of clinicians accept patients with Medicare and private insurance
- The total number of clinicians is increasing, although the mix of clinicians is changing
- The number of clinician encounters per fee-for-service beneficiary increased by 4.5% in 2024

Source: MedPAC's 2025 Access to Care Survey fielded by Gallup; American Medical Association's 2024 Physician Practice Benchmark Survey; MedPAC analysis of Medicare claims data for 100 percent of fee-for-service beneficiaries.

Quality of clinician care is difficult to assess

- Quality indicators we track remained relatively stable, 2024
 - Ambulatory care-sensitive hospital use remained relatively stable from 2023-2024 and below prepandemic levels
 - Patient-experience scores are relatively stable

Source: MedPAC analysis of 2024 FFS Medicare claims data; FFS CAHPS (Fee-for-Service Consumer Assessment of Healthcare Providers and System (CAHPS)) mean scores publicly reported by CMS.

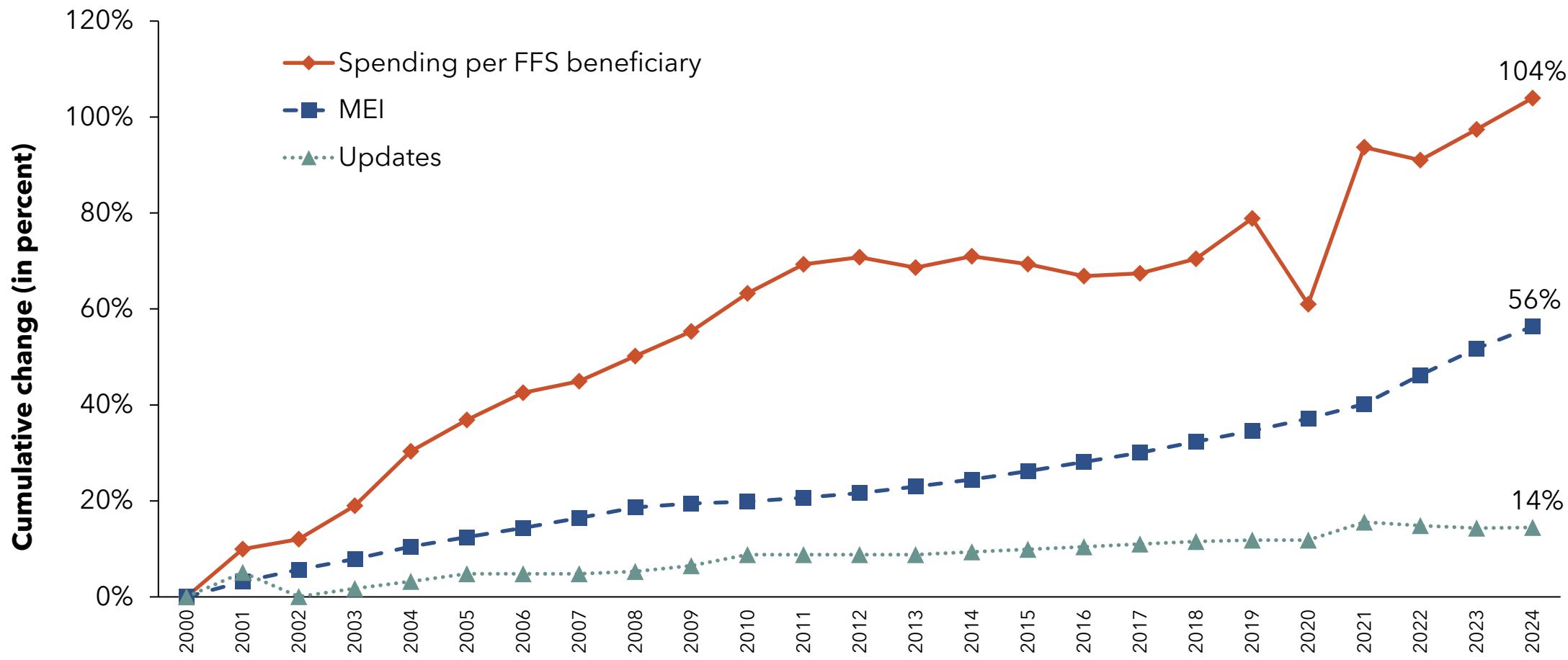
Indicators of clinicians' revenues and costs are somewhat positive

- Spending per Medicare FFS beneficiary increased by 4.1% in 2024
- MEI growth peaked at 4.3% in 2022, slowed through 2024, and is projected to moderate further to 2.1% in 2027
- In 2024, clinician compensation grew 6% for physicians (reaching a median of \$369,000) and 2% for NPs & PAs (reaching ~\$130,000)
 - From 2019-2024, compensation grew 3.5% per year
- Ratio of private-insurance payment rates to Medicare payment rates increased in 2024, to 147% of FFS Medicare payment rates

Note: FFS (fee-for-service), MEI (Medicare Economic Index)

Source: MedPAC analysis of Medicare claims data for 100 percent of FFS beneficiaries; data on paid claims for preferred provider organization enrollees of a large national insurer; SullivanCotter's 2024 clinician compensation and productivity surveys; CMS market basket data.

Physician fee schedule spending per FFS beneficiary grew substantially faster than the MEI or fee schedule payment updates, 2000-2024



Note:

FFS (fee-for-service), MEI (Medicare Economic Index). MEI data are from the new version of the MEI (based on data from 2017) and include updated total-factor productivity data. Spending per FFS beneficiary is based on incurred spending under the physician fee schedule. The graph shows updates to payment rates in nominal terms. Fee schedule updates do not include Merit-based Incentive Payment System adjustments or bonuses for participating in advanced alternative payment models. One-time payment increases of 3.75% in 2021, 3.0% in 2022, 2.5% in 2023, and a weighted average of 1.25% and 2.93% for 2024 are included.

Source:

MedPAC analysis of Medicare regulations, CMS market basket data, and reports from the Boards of Trustees of the Medicare trust funds.

Recent changes to physician fee schedule expected to increase total payments to primary care providers

- In 2021, increased payment rates for many E&M office/outpatient visits
- In 2024, started paying for the G2211 visit complexity add-on code
- CMS has introduced and refined various types of care management codes
- In 2025, began making monthly payments per beneficiary for advanced primary care management services
- In 2026, CMS increased payment rates for time-based services (e.g., E&M visits) and applied an efficiency adjustment to the work portion of the values of non-time-based services (e.g., procedures, imaging)

Note:

E&M (evaluation and management).

A large, semi-transparent watermark of the United States Capitol dome is centered in the background. The dome is a classical structure with a copper roof and a central oculus. Below the dome, the facade of the building features many arched windows and decorative stonework. An American flag is visible on a pole in front of the building.

Draft recommendation

Draft recommendation

For calendar year 2027, the Congress should increase payment rates for physician and other health professional services by 0.5 percentage points more than current law.

Impacts of draft recommendation

- Current law updates for 2027
 - A-APM clinicians: 0.75%
 - Other clinicians: 0.25%
- Draft recommendation and current law for 2027
 - A-APM clinicians: 1.25% (0.5% + 0.75%)
 - Other clinicians: 0.75% (0.5% + 0.25%)

Note: A temporary 2.5% increase is in effect in 2026; it will not be in effect in 2027 under current law.

Implications

Spending

- Relative to current law, spending would increase by:
 - \$750 million to \$2 billion in one year
 - \$1 billion to \$5 billion over five years

Beneficiary and provider

- Should maintain clinicians' willingness to treat fee-for-service Medicare beneficiaries and beneficiaries' access to care



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