



Welcome to *Washington Update*, the weekly e-newsletter on the latest health care happenings in the nation's capital that affect APG's members.

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In Reversal Of Five-Year Trend, Physicians Now Expected To See Medicare Fee Hike In 2026

Many physicians and other clinicians who are members of America's Physician Groups would see a 3.8 percent increase in the Medicare Physician Fee Schedule in 2026 under the proposed federal payment [rule](#) published this week. As APG noted in a [news release](#), the hike is in welcome contrast to five previous years of cuts, including the 2.8 percent reduction that went into effect in January 2025.

The 3.8 percent proposed increase for 2026 is a function of several factors, including a provision recently adopted in reconciliation legislation that set a 2.5 percent fee schedule increase for 2026. A

separate provision of the 2015 MACRA law that goes into effect next year created a new [conversion factor](#) bump of .75 percent for qualifying participants in advanced alternative payment models (AAPMs), versus a .25 percent bump for clinicians not participating in these models. The Centers for Medicare & Medicaid Services (CMS) also added a 0.55 percent bump to account for proposed changes in work relative value units for some services. The result is that many clinicians in APG member organizations who are paid under the fee schedule will receive the full 3.8 percent update if they participate in AAPMs, and a 3.6 percent increase if they don't.

Beyond the fee bump, CMS also proposed these key changes:

- **Creation of a new, mandatory Ambulatory Specialty Model** under the CMS Innovation Center focused on specialty care for beneficiaries with heart failure and low back pain. The model is to begin in 2027 in selected, although not yet specified, areas of the country.
- **A faster push toward two-sided risk arrangements:** Medicare Shared Savings Program ACOs inexperienced with performance-based risk will face a tighter timeline to move beyond one-sided risk. Currently, participants in the BASIC track can remain in one-sided risk over seven performance years spanning two agreement periods, but as of 2027, the limit will be five performance years only during one agreement period.
- **A change in the way that relative value units (RVUs) in the fee schedule are estimated** that rejects the current survey approach undertaken by the American Medical Association's Relative Value Scale Update Committee (RUC). Arguing that low survey response rates and possible conflicts of interest result in valuations that are "very likely overinflated," CMS proposes instead to begin adjusting many of the work RVUs for services that could be expected to become more efficient over time. The change would favor "time-based" services such as evaluation and management versus procedure-based services.
- **A change in classification of costly skin substitutes** that will curb excessive use of and spending on these products. This apparent overuse may constitute inappropriate care and has posed cost concerns for multiple accountable care organizations within APG's membership.

APG will hold a learning session on the proposed rule (see **APG Announcements and Offerings** below) and gather input from members to develop comments that are due back to CMS by September 12.



Many Physician Groups To Benefit From Proposed Hospital Outpatient And Ambulatory Surgery Center Rule

Medicare payment hikes, a dramatic services expansion, and site-neutral payment changes in another [proposed rule](#) released this week stand to benefit physician groups operating ambulatory surgery centers (ASCs) and those administering drugs in their offices. Physician groups operating ASCs and meeting quality reporting [requirements](#) would receive a 2.4 percent increase in 2026. CMS also proposes to greatly expand – by [547 codes](#) – the list of covered services that can be provided in ASCs, including 271 added as the agency proposes to eliminate the longstanding [“inpatient only”](#) list of surgical services over the next few years.

The agency also incorporated into its proposals a site-neutral payment [provision](#) that passed the House of Representatives in 2023 but was never taken up by the Senate. It would equalize payment for physicians administering drugs in their offices, such as for chemotherapy, with payment for those doing the same in hospital off-campus provider-based departments. The latter would be paid in 2026 and beyond under the Medicare Physician Free Schedule for their services, rather than under the outpatient payment system currently in place. CMS estimates that this provision would reduce hospital outpatient spending by \$280 million, with \$210 million in savings accruing to Medicare and \$70 million to beneficiaries through lower cost sharing.

APG will continue to review the proposed rule for additional provisions that may impact physician groups. Public comments are due to CMS by September 15.



From HHS, More Medicaid Strictures, Crackdowns On Duplicate Enrollments, And Care For Undocumented

Invoking the need for fiscal stewardship, HHS agencies undertook sweeping steps in recent days to restrict efforts to provide continuous coverage for Medicaid enrollees; bar states from using Medicaid funds to build a care workforce; eliminate duplicate enrollments in Medicaid

and Affordable Care Act coverage; and stop the undocumented from receiving care in community health centers.

First, CMS notified states this week that the agency would not approve or extend existing [Section 1115 waivers](#) that allow [continuous eligibility](#) for some adults or children under Medicaid and the Children's Health Insurance Program, or that include Medicaid-funded [workforce initiatives](#). Medicaid advocates quickly criticized the moves, pointing to [evidence](#) of the importance of ensuring stability in children's health insurance amid the frequently changing economic circumstances of low-income families. Multiple states have also used the waivers to help develop a broader core of workers to provide home and community-based services and address [severe staffing shortages](#) and backlogged services.

Next, vowing to "crush waste, fraud, and abuse," CMS [said](#) that a new federal analysis showed that 2.8 million Americans in 2024 were either "enrolled in Medicaid or the Children's Health Insurance Program (CHIP) in multiple states or simultaneously enrolled in both Medicaid/CHIP and a subsidized Affordable Care Act (ACA) Exchange plan." CMS did not release the analysis but said it would undertake several initiatives to cut duplicate enrollment – including allowing individuals to submit documentation showing that state-level data indicating duplicate enrollment was incorrect.

Meanwhile, the nation's community health centers – including multiple federally qualified health centers (FQHCs) among APG's membership – were anxiously awaiting clarification this week of what lies ahead in the wake of an HHS [statement](#) that it would ban "Illegal Aliens from Accessing its Taxpayer-Funded Programs." The agency said it had withdrawn a Clinton-era interpretation of the 1996 welfare reform law that had allowed "illegal aliens to access programs Congress intended only for the American people." The list of programs for which access by the undocumented is to be denied includes certified community behavioral health clinics, Head Start, and the [Health Center Program](#) administered by the Health Resources and Services Administration. But nearly a week after the statement was issued, health centers have received no notice of how the change will be operationalized.

APG will continue to seek clarity on behalf of its FQHC members and monitor the implications for health insurance coverage of all these changes affecting Medicaid and CHIP.



In Case You Missed It

- **Two top policy aides to Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. were abruptly [fired](#) this week**

following reported internal clashes that led to their removal. [Inside Health Policy](#) reported that the new acting chief of staff, Matt Buckham, who served as White House liaison for Kennedy, earlier co-founded a group that created “a ‘watchlist’ of federal government employees it deemed to be ‘leftist’ or sympathetic to diversity, equity and inclusion efforts.”

- **Thousands of HHS employees** – many of whom were first notified of their terminations in April but were still on the payroll – **received notice this week that their removals were final**, despite ongoing lawsuits. HHS cited its authority to move forward with the dismissals in the wake of last week’s Supreme Court [decision](#).
- **Senator Josh Hawley (R-MO) introduced a bill to roll back some Medicaid cuts** in the recently adopted reconciliation law and double the size of the “rural health transformation fund,” the subject of a new [analysis](#) by the Kaiser Family Foundation.
- The final [recession package](#) that passed Congress this week and is expected to be signed into law by President Trump today **does not include funding cuts to the President’s Emergency Plan for AIDS Relief (PEPFAR)** that were initially requested. The law will claw back \$9 billion in previously approved funding.
- The House Ways and Means committee’s joint health and oversight subcommittee will hold a [hearing](#) on Medicare Advantage “past lessons, insights and future opportunities,” at 2pm ET on July 22, 2025. Meanwhile, a new KFF [market analysis](#) of Medicare Advantage plans shows that UHG or Humana remain the dominant MAOs, with either or both of them dominating most markets.



APG Announcements And Offerings

- APG will host an **Emerging Trends in Health Care** webinar featuring **CMS Deputy Administrator and Chief of Staff Stephanie Carlton** on **Tuesday, July 22, 12:00 pm - 12:45 pm ET**. Register for the webinar [here](#).
- Participants in APG's **Group Purchasing Program** will describe their innovative products in two forthcoming webinars.
 - The first features **Altura, GoGo, and Ventegra** on **Tuesday, July 22, 4:00 pm – 5:00 pm ET**. Register for the webinar [here](#).
 - The second features **Accorded, Medicare on Demand, and Plannery** on **Tuesday, July 29, 4:00 pm – 5:00pm ET**. Register for the webinar [here](#).

- APG will host a **Special APG Members-Only Webinar on the Reconciliation Legislation (HR 1)** on **Wednesday, July 23, 3:30 pm – 4:30pm ET**. To register, please email Jenifer Callahan at jcallahan@apg.org.
- APG has partnered with **Health Industry Collaboration Effort, Inc. (HICE)** for an informative webinar on the **Provider Appointment Availability Survey (PAAS): What You Should Know** on **Wednesday, July 23, 2:00 pm - 3:00 pm PT**. Register for the webinar [here](#).
- APG will host a **Learning Session on the 2026 Medicare Physician Fee Schedule & MSSP Proposed Rule** on **Thursday, August 7, 3:00 pm – 4:00 pm ET**. Register [here](#).
- APG will host a **Members-Only focus group on the 2026 Medicare Physician Fee Schedule & MSSP Proposed Rule** on **Thursday, August 21, 12:00 pm - 1:00 pm ET**. To register, please email Jenifer Callahan at jcallahan@apg.org.
- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today](#).

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