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

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Medicare Physician Fees Once More Face Cuts Despite House Lawmakers' New Plan To Boost Them

The perennial issue of the level of Medicare fee-for-service physician payment came into focus again this week, as the Centers for Medicare & Medicaid Services (CMS) released its annual proposed rule that once again lowered overall payment levels, an artifact of legislative and other constraints built into the system. And once more, a congressional proposal surfaced to stop the madness – although its fate in this year's legislative cycle is uncertain at best.

The rule's proposed change in the so-called conversion factor that drives the level of payment would have the effect of cutting fees by nearly 1.7 percent for 2027, and by somewhat less – nearly 1.2 percent – for clinicians participating in Advanced Alternative Payment Models (AAPMs), as are those represented by America's Physician Groups (APG). In effect, these cuts would equal nearly 4 percent or more in real, or inflation-adjusted, terms, given that the key measure of practice cost inflation, the Medicare Economic Index, is estimated to rise by 2.5 percent in 2027. And these cuts would follow a quarter century in which Medicare physicians' fees have fallen more than 30 percent in real terms – some, but not all of which, clinicians have offset by providing more services, needed or not.

"Devastating:" "The proposed rule once again cries out for Congressional action to halt these devastating fee cuts at a time when so many physician practices are operating close to the brink," Susan Dentzer, APG's President and Chief Executive Officer, said in a statement after the rule was released. And as it happens, just such a proposal emerged this week in the form of the Patients First Act, which would permanently link the fee schedule to a large share of practice cost inflation and halt the endless cuts.

Crafted by the House Republican and Democratic Doctors' Caucuses, the measure would hike fees annually at the rate of the MEI minus one percentage point for clinicians in general, and minus just 0.5 percentage points for those engaged in AAPMs – a differential rate meant to augment these clinicians' incentives to operate more efficiently. This and the bill's other provisions, long sought by APG, "would provide major financial relief for the nation's physicians and other clinicians who care for Medicare patients; continue to ensure access to care by those patients; and spur the movement of more clinicians into accountable care models – all goals shared by the most forward-thinking physicians in the nation," Dentzer said in a statement.

The bill faces an uphill climb at best in the current Congress, given the short legislative calendar remaining this year, uncertain appetite for the measure in the Senate, and the multibillion-dollar potential cost, which fiscal hawks would demand be offset by other federal spending cuts. APG nonetheless thanked the bipartisan lawmakers who framed the proposal and will advocate strongly for its passage, despite the long odds.

Positive Changes Proposed In Medicare Shared Savings Program Could Spur More Enthusiasm

For Accountable Care

In contrast to disappointing news about Medicare physician fee cuts, CMS's new proposed rule also set forth multiple positive changes in the Medicare Shared Savings Program for 2027. Taken together, the measures would further enhance providers' incentives to participate in the program, take on full risk for meeting cost and quality targets, and reap shared savings – thus fueling the all-important drive to greater accountability in traditional Medicare.

New beneficiary incentives: Delineating the key elements of the plan in its news release, APG also singled out important incentives to draw Medicare beneficiaries into MSSP ACOs. Whereas beneficiaries have long been passively "attributed" to ACOs based on where they obtain most of their primary care services, various ACO models have been gaining the ability to offer financial incentives to beneficiaries to participate, with the goal of strengthening the relationships between patients and their ACO providers and, ideally, fostering even more savings. In one of the most significant steps to date, under the proposed rule, ACOs could apply to CMS to reduce or even eliminate beneficiaries' cost-sharing for all Part B items and services except durable medical equipment, prosthetics, orthotics, and supplies and Part B prescription drugs.

Since traditional Medicare beneficiaries spend an average of more than $3,000 per year on Part B cost sharing, this significant incentive could build enthusiasm for actively participating in an ACO. APG has long argued that increasing such incentives is an important avenue for strengthening the traditional Medicare program and bringing it more in line with benefits offered enrollees through Medicare Advantage plans.

In Hearings, Two Key Health Nominees Leave Senate Panel Uncertain About Commitment to Vaccines

In the wake of the Trump administration's long assault on vaccines, it was a given that nominees for two key positions would be questioned closely in their Senate nomination hearings this week about their views on the topic. Despite their pledges to stick to the science, their answers appeared to leave many lawmakers wondering just how much leeway the nominees would have to pursue a pro-vaccine path if confirmed.

If confirmed, Erica Schwartz, MD, would be the first full-time director of the Centers for Disease Control and Prevention since Susan Monarez, MD, was fired a year ago by Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. over vaccine policy disagreements (*Washington Update*, Aug. 29, 2025). Schwartz said at this week's hearing before the Senate Health, Education, Labor and Pensions (HELP) committee that she believed that vaccines were "safe and effective," adding that she had been vaccinating people throughout her distinguished career as rear admiral in the U.S. Public Health Service Commissioned Corps, a former deputy Surgeon General, and chief medical officer in the U.S. Coast Guard. But Schwartz declined to say overtly that she would buck any pressure from Kennedy to stray from established vaccine science, frustrating at least several senators on both sides of the aisle. "We need a CDC director that will actually stand up to crazy, stupid things being said that undermine faith in immunization," protested committee chair Sen. Bill Cassidy (R-LA), an outgoing lawmaker who voted to confirm Kennedy after obtaining false assurances that Kennedy would maintain existing CDC vaccine recommendations without changes.

Pandemic un-preparedness? Senators appeared equally concerned about testimony from the other nominee, Sean Kaufman, MPH, tapped for HHS Assistant Secretary for Preparedness and Response, the primary advisor to the HHS secretary on public health emergencies, pandemics, and disasters. In his testimony, Kaufman backtracked from some of his previous anti-vaccine statements, but also said he supported Kennedy's earlier decision to cut $500 million in funding for mRNA vaccine research into the development of future pandemic-related vaccines. When Kaufman said mRNA vaccine side effects warranted study before more investments in the technology, Cassidy again protested that such research was already under way. "The fact that you're casting doubt [on mRNA vaccines]" – the majority of the vaccines estimated to have prevented 3 million U.S. deaths during the COVID-19 pandemic – "is obviously concerning," Cassidy said.

Amid signs that all committee Democrats are likely to oppose both nominations, and several Republican lawmakers continue to have questions, Cassidy has scheduled another committee session next week to consider both nominations.

In Case You Missed It

- **Multiple provisions of a CMS rule overhauling eligibility and other aspects of Affordable Care Act coverage were stayed by a Maryland federal District Court judge** this

week, who wrote that the plaintiffs – a group of cities, a county, and organizations representing health care professionals and small businesses – had amply demonstrated that "they will face irreparable harm if the challenged portions of the Rule are not enjoined." The agency is expected to appeal.

- Senate Republicans this week **voted down Democrats' joint resolution under the Congressional Review Act that would have blocked CMS from further implementing the Wasteful and Inappropriate Service Reduction (WISeR) model.** APG has long supported the model to test new ways of reducing low-value, wasteful, and harmful care in traditional Medicare.

- A **longstanding bill to speed adoption of electronic prior authorization in Medicare Advantage** and enhance transparency around insurers' use of prior authorization is likely to head to the full House floor for a vote following unanimous approval this week by the House Ways and Means committee. The panel also advanced a measure requiring MA plans to publish complete information about their medical versus administrative expenses and medical loss ratios.

- **HHS this week abruptly canceled tens of millions of dollars in grants from the Agency for Healthcare Research and Policy,** telling the researchers who had received the grants in correspondence that no further funds for many existing projects would be provided. The projects involve research on such critical issues as patient safety, antibiotic stewardship, health care costs, and workforce development, according to the health services research group AcademyHealth.

- **CMS has asked stakeholders for information about the American Medical Association's control over the Current Procedural Terminology code set** that determines how clinicians bill Medicare. The agency asked in its proposed Medicare Physician Fee Schedule rule about various issues, including potential conflicts of interest regarding who decides what a medical service or procedure is worth.

- **A new data book published by the Medicare Payment Advisory Commission** provides a comprehensive assessment of spending across the Medicare program.

APG Announcements And Offerings

- **APG's inaugural Women's Health Summit** will take place on **Thursday, July 23, from 9:00 a.m. to 4:00 p.m. PT in Los Angeles, CA.** Registration, exhibits, and a keynote book signing will take place from 8:00 a.m. to 9:00 a.m. ***This conference is open to APG members only.*** Please email lhawkins@apg.org for registration information.
- APG will host an **Informational Session on the 2027 Proposed Rule on the Medicare Physician Fee Schedule and MSSP** on **Tuesday, August 25, 4:00 pm - 5:00 pm ET**. Members may register for the webinar **here**.
- **Please save the date for the Virtual 25th Silver Anniversary Population Health Colloquium, December 9-11,** focused on innovations in population health and care coordination and bringing together leaders across health policy, research, and delivery system transformation.
- **Want to get more involved in APG's Federal advocacy efforts?** Join APG Advocates today.