On October 31, 2025, the Centers for Medicare & Medicaid Services (CMS) released the 2026 Medicare Physician Fee Schedule (MPFS) final rule, which includes payment provisions and policy changes to the Quality Payment Program (QPP) and Alternative Payment Model (APM) options and requirements for 2026. The final rule takes effect 1/1/26.

MPFS Key Proposals and Potential Medicare Reductions

The change to the MPFS conversion factor (CF) incorporates several factors:

Beginning CY 2026 there will be **two separate CFs** resulting from the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA):

- One for physicians participating in the **Merit-based Incentive Payment System (MIPS)** (where MIPS participants get a 0.25% payment update); and
- Another for physicians that are considered **"qualifying participants"** in an **Advanced Alternative Payment Model (A-APM)** (where qualifying participants receive a 0.75% update).
- Also affecting the CF in CY 2026 are a **budget neutrality adjustment of +0.49%** and a +**2.5% temporary increase for 2026** provided under the *One Big Beautiful Bill Act (OBBBA)*. The OBBBA provisions expire on 12/31/26.

MPFS RBRVS and Anesthesia Conversion Factors:

Conversion Factor*	CY 2026 Final	CY 2026 Proposed	CY 2025 Final	CY 2025 vs CY 2026 Final Rule $ Change	CY 2025 vs CY 2026 Final Rule % Change
RBRVS CF - APM (0.75%)	$33.5675	$33.5875	$32.3465	$ 1.2210	3.77%
RBRVS CF-Non-APM (0.25%)	$33.4009	$33.4209	$32.3465	$1.0544	3.26%
Anesthesia CF - APM (0.75%)	$20.5998	$20.6754	$20.3178	$0.2820	1.39%
Anesthesia CF – Non-APM (0.25%)	$20.4976	$20.5728	$20.3178	$0.1798	0.88%

*Under the *Medicare Access and CHIP Reauthorization Act of 2025*, physicians who participate in qualifying APMs receive a higher Medicare CF update (+0.75% compared to +0.25%) beginning in 2026.

1. Services provided by non-APM participants have a conversion factor of $33.4009, which includes a 0.25% annual update (+3.26%).
2. The CF for services provided by a qualifying APM participant is $33.5675 (+3.77%), inclusive of a 0.75% annual update.

Both CFs also include a 2.5% one year increase to the MPFS CF included in the OBBBA, as well as a +0.49% budget neutrality adjustment.

Anesthesia Conversion Factor:

1. The separately calculated Anesthesia CF is $20.5998 for items and services furnished by Qualifying APM Participants, representing a 1.39% increase from the 2025 anesthesia CF of $20.3178.
2. $20.4976 for non-Qualifying APM participants, representing a 0.88% increase from the 2025 anesthesia CF.

Impact to Allowed Charges from Policy Changes:

Each year CMS estimates the impact to allowed charges from policy changes in the rule as outlined below (Table D-B7, pg. 1738-1740). These impacts are due in part to changes in the RVUs and the second year of the transition to clinical labor pricing updates and do not account for changes in the CF, sequestration cuts, or the PAYGO cut that could occur in 2026 (see section below).

Please Note: The 0.75% and 0.25% updates to the CY 2026 qualifying APM and APM and nonqualifying APM CFs, respectively, as well as the single year increase of 2.50% to the CF for CY 2026, are **statutory changes** that **take place outside of Budget Neutrality (+0.49%)**, and therefore, are not captured in the specialty impacts displayed in Table D-B7, pg. 1738-1740.

Specialty	Combined Impact: **Non-Facility**	Combined Impact: **Facility**	Combined Impact: **Total**
Anesthesiology	7%	-3%	-1%
Critical Care	7%	-7%	-4%
Diagnostic Testing Facility (Radiology)	0%	-1%	0%
Emergency Medicine	7%	-2%	-1%
Family Practice	6%	-9%	3%
Independent Laboratory	-1%	-3%	-1%
Interventional Radiology	7%	-7%	2%
Interventional Pain Management	6%	-9%	3%
Internal Medicine	6%	-8%	-1%
Nuclear Medicine	1%	-3%	-1%
Nurse Practitioner	5%	-9%	1%
Nurse Anesthetist/Anesthesiology Assistant	10%	-1%	-1%
Pathology	-2%	-3%	-2%
Physician Assistant	4%	-8%	1%
Radiation Oncology/ Therapy Centers	-1%	-2%	-1%
Radiology	1%	-3%	-2%

Additional Potential Medicare Reductions in 2026:

With the 2.5% increase to the overall CF there are still additional cuts that could impact reimbursement in 2026. Because the American Rescue Plan was not fully funded, Medicare must recalculate the required spending cut under the "PAYGO" (Pay-As-You-Go) rules. As a result, this cut is scheduled to return to the Medicare fee schedule in 2026, unless Congress intervenes, as it has done several times in the past to delay these reductions.

Zotec will continue to actively advocate on behalf of our clients to work with Congress and our contacts to help shape and promote sustainable legislative solutions to address physician reimbursement for the long-term.

Additional Highlights of the MPFS Final Rule Include

Evaluation and Management:

CMS finalized a -2.5% efficiency adjustment to work RVUs, based on the assumption that practitioners will "…accrue gains in efficiency over time." However, this reduction does not apply to certain code sets, including evaluation and management (E/M) services, meaning emergency department **E/M work RVUs remain unchanged** from 2025 levels in the 2026 final rule. In a notable change from the proposed rule, CMS will also exempt new services from efficiency adjustment. This means that the new codes for CY 2026 will not be subject to the -2.5% efficiency adjustment, even if they would otherwise fall within the scope of non-time-based services. That said, emergency E/M codes will see a slight decrease due to CMS's finalized changes to practice expense (PE) methodology. CMS is estimating a -2% decrease, combined Facility impact, in the emergency E/M codes (pg. 1739 Final Rule).

Telehealth Services Under the PFS:

For CY 2026, CMS finalized its proposal to streamline the process for adding services to the Medicare Telehealth Services List. The distinction between provisional and permanent telehealth services has been permanently removed. All listed services are now considered permanent, with CMS retaining the ability to remove them in the future. CMS is limiting their review of whether the service can be furnished using an interactive, two-way audio-video telecommunications system.

CMS finalized the permanent removal of frequency limitations for subsequent inpatient visits, subsequent nursing facility visits, and critical care consultations via telehealth under Medicare.

Contrary to the proposed return to pre-PHE policy, CMS finalized the permanent adoption of the virtual presence exception: teaching physicians are allowed to meet direct supervision requirements via real-time audio and visual interactive telecommunications for all settings where direct supervision is required (excluding audio-only), except for procedures with a 010 or 090 global surgery indicator. CMS will maintain the rural exception established in the CY 2021 PFS final rule metropolitan statistical area, but urban restrictions will not return.

Direct Supervision via Use of Two-way Audio/Video Communications Technology

CMS finalized permanently adoption a definition of direct supervision that allows the physician or supervising practitioner to provide such supervision through real-time audio and visual interactive telecommunications (excluding audio-only). Except for services that have a global surgery indicator of 010 or 090, CMS finalized that a physician or other supervising practitioner may provide such virtual direct supervision for applicable incident-to services under § 410.26, diagnostic tests under § 410.32, pulmonary rehabilitation services under § 410.47, cardiac rehabilitation and intensive cardiac rehabilitation services under § 410.49.

- **Fact Sheet**
- **Press Release**
- **Final Rule on Federal Register**

Quality Payment Program (QPP) & Medicare Merit-based Incentive Payment System (MIPS):

More information regarding the QPP will be forthcoming. The 2026 MPFS final rule does not have significant changes to the MIPS Reporting requirements for the upcoming performance period. We continue to review the rule and will provide updated information in the near future.