

Improving Payment for Internal Medicine Physicians

Improve patients' access to care by ensuring fair and appropriate physician compensation, including annual inflationary adjustments. Modernize laws requiring the implementation of budget neutral payment cuts in the physician fee schedule (PFS); and allow physicians to waive patient cost sharing associated with physician services in Medicare.

Why is Action Needed?

Patient care has been jeopardized as the Medicare PFS fails to provide physicians with the resources to keep up with rising expenses and the cost of caring for patients. The PFS has not been updated to account for inflation; as a result, payment rates have actually decreased by a staggering 29 percent over the past two decades when adjusted for inflation.

The financial instability of our Medicare payment system, combined with increased administrative burdens of running a physician practice has led to physician burnout, market consolidation, and the closure of independent practices. Without federal legislation that provides a payment increase reflecting rising inflationary pressures, patient access will be threatened, particularly in rural and underserved communities.

In addition to a failure to provide annual payment updates that keep up with inflation, one of the structural challenges of the current PFS system is the statutory budget neutrality (BN) requirement. Under this requirement, any increases to physician services within the PFS final rule must be offset by an arbitrary across-the-board BN reduction to all services paid under the PFS. The 2025 PFS final rule mandated a 2.83 percent BN physician payment cut and Congress failed to pass legislation to avert this cut.

Although Congress passed legislation to provide a 2.5 percent increase to the PFS in 2026, this patchwork system of cuts and partial relief is not sustainable for physicians to invest in high quality care for our nation's seniors. Long-term structural reforms are needed to ensure stability for seniors' access to care and that physicians work in a system that provides consistent, stable and positive, updates that keep up with the cost of inflation.

ACP's Position

We urge Congress to provide a positive update to the PFS annually. Congress should also ensure that the Medicare PFS includes annual updates consistent with the Medicare Economic Index. We support structural reforms to budget neutral payment mandates in the PFS to decrease the amount of annual reductions in the PFS. We are concerned that CMS overestimates the utilization of new physician services that are added to the fee schedule which cause funds to be unnecessarily withheld from the fee schedule due to budget neutrality requirements.

Additionally, we are concerned that cost-sharing for physician services, such as Advanced Primary Care Management and Chronic Care Management, for patients with complex medical and social needs limits patient consent and uptake. We urge Congress to approve legislation to allow physicians the ability to waive cost-sharing associated with physician services. Physicians would be required to document why cost-sharing services were waived for patient care.

Call to Action

- Retain the 2.5% increase in Medicare payment that was approved by Congress for 2026
- Introduce and pass legislation that raises the threshold for triggering budget neutral cuts within the PFS from \$20 million to \$53 million
- Introduce and pass legislation that would return savings from the overestimation of new codes in the PFS back into the PFS
- Allow physicians the ability to waive patient cost sharing associated with physician services