

Stop CMS's Harmful "Efficiency Adjustment"

House: Cosponsor the *Efficiency Adjustment Delay Act* (H.R. 7520) and publicly support long-term reform to Medicare physician payment.

Senate: Stop the "Efficiency Adjustment" and support long-term reform to Medicare physician payment.

For more than 20 years, Medicare payments have been under pressure from Centers for Medicare & Medicaid Services (CMS) anti-inflationary payment policies. Since 2001, physicians have seen their Medicare payments decrease by 33 percent when adjusted for inflation, including the most recent cut on January 1, 2026. The Medicare Physician Fee Schedule (MPFS) is unique in its lack of a meaningful mechanism to account for inflation and currently requires any positive payment updates to be directly legislated. **On January 1, 2026, surgeons received an additional 2.5 percent reduction to their work Relative Value Units (RVUs), a significant payment cut compounded by the lack of an inflationary update.**

This cut to work RVUs was the result of a new "efficiency adjustment" policy created by CMS to address a flawed assumption that non-time-based services become more efficient as the services become "more common, professionals gain more experience, ... and technology is improved."¹ In direct contradiction to this claim, a recent peer reviewed study published in the *Journal of the American College of Surgeons* analyzing more than 1.7 million operations, spanning 249 procedure codes and 11 surgical specialties, found that 90 percent of codes had the same or longer operative times in 2023 compared to 2019, and operative times have increased overall by 3.1 percent.² Despite this evidence, CMS intends to make additional "efficiency adjustments" every three years, indefinitely, unless Congress intervenes.

The Medicare payment system remains constrained by a budget-neutral financing system, which means even modest changes in spending can result in across-the-board cuts to all services. This trigger amount has remained at \$20 million annually since its implementation in 1992 and must be increased and indexed to adjust for inflation moving forward. Additionally, an annual update to the MPFS comparable to that in other payment programs is critical to ensure that payments keep pace with medical cost inflation.

Instability in the MPFS is caused by multiple factors, and Congress must work towards long-term solutions, while confronting the immediate devaluation of surgical codes in 2026. These compounding cuts, combined with a broad lack of viable alternative payment models (APMs) for surgeons, demonstrate that the Medicare payment system is broken. These systemic issues will continue to threaten patient access to care and hinder surgeons' ability to undertake important quality improvement initiatives or make investments needed to move toward value-based care.

¹ 90 FR 32352

² Childers CP, Foe LM, Mujumdar V, et al. Longitudinal Trends in Efficiency and Complexity of Surgical Procedures: Analysis of 1.7 Million Operations Between 2019 and 2023. *J Am Coll Surg*. 2025.

Congressional Action

Efficiency Adjustment Delay Act

While Congress intended to mitigate an existing cut for physicians in 2026 by passing a 2.5 percent positive adjustment in H.R. 1, implementation of the new 2.5 percent “efficiency” reduction negates this effort. *The Efficiency Adjustment Delay Act* (H.R. 7520), introduced by Representatives Ron Estes (R-KS-04) and Tom Suozzi (D-NY-03), would halt implementation of the “efficiency adjustment” unless CMS is able to provide data demonstrating the necessity of an across-the-board, one-time reduction. If CMS produces this data, the adjustment would be subject to the following parameters:

- May only be applied one time;
- May not be applied to codes recently revalued or reviewed within the last ten years;
- May not rely on a factor used for determining productivity relative to inflation unless the yearly update to the nonqualifying APM conversation factor is at least as large as the percentage increase in the Consumer Price Index for the previous year.

Additionally, the *Efficiency Adjustment Delay Act* would preserve the 0.49 percent conversion factor adjustment stemming from budget neutrality.

Long-Term Reform Efforts

Stakeholders and congressional leaders agree that yearly cuts are not sustainable and must be addressed to ensure long-term stability of the Medicare payment system. Regular updates are essential to account for increased practice costs and must be sufficient to ensure practices remain viable to preserve patient access to care, particularly in rural areas.

Adjusting the budget neutrality trigger is an example of a small but important step Congress could take to improve the functioning of the current system. Without meaningful adjustments to account for the increased cost of staff, office space, and other resources, surgeons will find it increasingly difficult to continue to improve care and outcomes. Beyond this, it will be necessary to counteract the effects of inflation to help provide stability while Congress and the Administration continue to work towards the shared goal of value-based payment.

Congress must act towards building an update into the MPFS tied to the Medicare Economic Index, comparable to other Medicare payment programs, to account for the effects of inflation on the cost of providing care to seniors. This inflationary update, which should be separate and distinct from incentives for quality and from the budget-neutral Merit-based Incentive Payment System incentives, is necessary to account for increased costs and not an incentive for providing higher quality care.

CONGRESSIONAL ASK

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