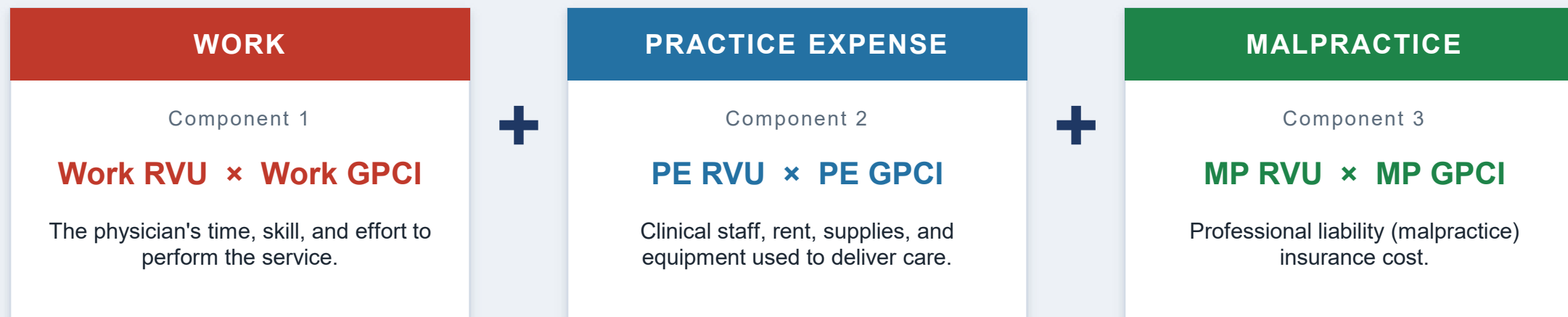


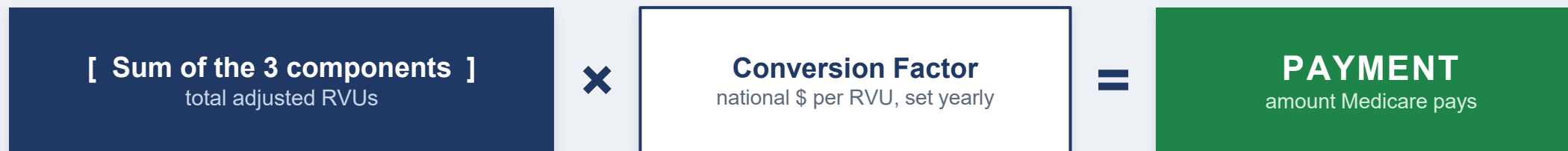
How a Medicare Physician Payment Is Calculated

Medicare Physician Fee Schedule (MPFS) — the payment formula, step by step

$$\text{Payment} = [(\text{Work RVU} \times \text{Work GPCI}) + (\text{Practice Expense RVU} \times \text{PE GPCI}) + (\text{Malpractice RVU} \times \text{MP GPCI})] \times \text{Conversion Factor}$$



Add the three geographically adjusted components → a bracketed subtotal



RVU = Relative Value Unit

GPCI = Geographic Practice Cost Index

PE = Practice Expense

MP = Malpractice

Medicare Physician Fee Schedule CY2027

- CMS released the CY2027 Medicare Physician Fee Schedule (MPFS) Proposed Rule on July 14
 - The qualifying APM CF will be \$33.1693 (**a -1.19 percent reduction** from CY 2026)
 - The nonqualifying APM CF will be \$32.8409 (**a -1.68 percent reduction** from CY 2026)
- According to CMS's specialty impact table, this rule will have an outsized impact on orthos

TABLE D-B5: CY 2027 PFS ESTIMATED IMPACT ON TOTAL ALLOWED CHARGES BY SPECIALTY

(A) Specialty	(B) Total: Non-Facility/Facility	(C) Allowed Charges (mil)				(D) Impact of Work RVU Changes	(E) Impact of PE RVU Changes	(F) Impact of MP RVU Changes	(G) Combined Impact
ORTHOPEDIC SURGERY	<i>TOTAL</i>	\$3,296	-3%	-4%	-1%	-7%			
	<i>Non-Facility</i>	\$1,549	-2%	-4%	0%	-5%			
	<i>Facility</i>	\$1,747	-4%	-4%	-1%	-8%			

Medicare Physician Fee Schedule

We will be closely examining several policies and how they contribute to this cut:

- CMS is proposing to reduce payment when a separately identifiable office/outpatient evaluation and management (E/M) visit is furnished by the same physician (or a physician in the same practice) on the same day as a 0-, 10-, or 90-day global procedure. The most expensive service (either surgical or E/M visit) would be paid at 100% and all other surgical procedure(s) or E/M visit(s) furnished on the same day would be paid at 50%.
- Changes to the final step of the PE RVU calculation methodology that would reduce reliance on the 2007 practice expense per hour (PE/HR) data by phasing in a PE stabilizer.
- CMS valuation reductions to key orthopaedic CPT codes (see table of the top 10 highest volume ortho codes attached from our consultants at **Hart Health Strategies**).

Selected Codes (High Volume Ortho) – Changes from CY 2026 to CY 2027 (Based on CY 2027 MPFS Proposed Rule Addendum B - as of July 14, 2026)								
CPT Code	Short Descriptor	wRVU % Change	PE RVU % Change	MP RVU % Change	Total RVUs (2026)	Total RVUs (2027)	Total 2027 Pmt	Pmt % Change cf. 2026
20600	Drain/inj joint/bursa w/o us	0.0%	-4.5%	+13.0%	0.94	0.94	\$30.38	-1.68%
	Non-Facility (Office)		-2.1%		1.68	1.67	\$53.97	-2.26%
27447	Total knee arthroplasty	-16.6%	-23.0%	-20.0%	34.72	28.08	\$907.42	-20.48%
27130	Total hip arthroplasty	-19.6%	-16.9%	-22.0%	34.78	28.18	\$910.65	-20.33%
20551	Njx 1 tendon origin/insj	0.0%	-5.6%	+13.0%	0.99	0.99	\$31.99	-1.68%
	Non-Facility (Office)		-6.0%		1.81	1.76	\$56.88	-4.39%
64721	Carpal tunnel surgery	0.0%	-5.0%	-5.0%	12.67	12.28	\$396.83	-4.70%
	Non-Facility (Office)		-5.0%		14.45	13.97	\$451.45	-4.94%
26055	Incise finger tendon sheath	0.0%	-5.0%	-5.0%	8.61	8.33	\$269.19	-4.87%
	Non-Facility (Office)		-5.1%		18.85	18.05	\$583.29	-5.85%
20526	Ther injection carp tunnel	0.0%	-2.6%	-12.0%	1.48	1.45	\$46.86	-3.67%
	Non-Facility (Office)		-5.2%		2.64	2.54	\$82.08%	-5.40%
64640	Injection treatment of nerve	0.0%	-5.0%	-5.0%	3.34	3.27	\$105.67	-3.74%
	Non-Facility (Office)		-5.1%		8.02	7.71	\$249.15	-5.48%
23472	Reconstruct shoulder joint	-19.0%	-18.1%	-22.0%	38.93	31.53	\$1018.91	-20.37%

Analysis is an estimate calculated by Hart Health Strategies based on CY 2027 proposed RVUs and non-QP conversion factor and is subject to change

“Pmt % Change cf. 2026” includes changes to each codes RVUs and the proposed CF, including the proposed cut to the non-QP conversion factor of -1.68%, but does not account for individual practice calculations for GPCIs, MIPS, or APM bonuses.

Total payment calculations will differ for services paid based on QP conversion factor

MPS: Advocacy Strategy

AAOS will be

- drafting a robust comment letter pushing back hard on these policies (due September 14)
- requesting meetings with the Administration to discuss our concerns with the total joint arthroplasty codes devaluations and the modifier 25 proposal
- educating Capitol Hill on these impacts and asking them to weigh in with CMS

Individual AAOS members can

- write Congress and CMS at this link
- Access our toolkit at this link