



# Projected Medicare Physician Payment and Conversion Factor Trends: An Analysis of Current Law and Proposed Scenarios (2025–2034)



Katie Lawler, MPH Candidate; Supervised by Simay Okyay-McNutt, Applied Policy

## Abstract

**Background:** Since 2001, inflation-adjusted Medicare physician payments have declined by 26% due to MACRA's decoupled legislative updates. This study evaluates the fiscal impact of the "Big Beautiful Bill Act" (2025) and compares current law against long-term reform scenarios.

**Methods:** Using CMS Market Basket and 2026 PFS data, six 10-year scenarios (2025–2034) were modeled. Scenarios compared current law (QPs vs. Non-QPs) against MACRA baselines, MedPAC recommendations (MEI – 1%), and previous reconciliation drafts.

**Results:** Temporary 2026 bumps yield a CF of \$33.57 (QPs) and \$33.40 (Non-QPs), yet a "payment cliff" follows in 2027. The MedPAC proposal is the most sustainable, projecting a \$35.60 CF by 2034. Currently, 55.9% of providers remain in the lower-paid Non-QP pathway, exacerbating the policy divide.

**Conclusion:** Temporary Congressional "fixes" fail to address the long-term erosion of physician pay. Permanent transition to an inflation-indexed update—as proposed by MedPAC—is essential for Medicare's sustainability, a unified payment structure, and providers' ability to provide quality care to 69 million beneficiaries.

## Objectives

- Evaluate long-term sustainability of the Medicare PFS by comparing current legislative fixes with proposed structural reforms
- Assess near-term impacts of the One Big Beautiful Bill Act and MACRA updates
- Compare conversion factor growth under current law vs. inflation-indexed proposals
- Support stakeholder and client advocacy efforts

## Methods

**Study Design & Tools:** Linear regression predictive modeling was used to forecast Medicare PFS Conversion Factor trends from 2025 to 2034. Analyses were performed in R (v.2025.05.1+513) and graphed Microsoft Excel.

**Data Sources:** Model inputs including CF baselines, GPCIs, and RVUs were extracted from CMS Public Use Files.<sup>9</sup> Inflation forecasts were derived from the CMS Market Basket (Q4 2025) and AMA data.<sup>2,8</sup>

### Core Assumptions:

- **Baseline:** All projections originate from the finalized 2025 CF<sup>5</sup>
- **Budget Neutrality (BN):** Applied verified adjustments for 2025 (0.02%) and 2026 (0.49%); assumed 0% BN for 2027–2034 due to statutory unpredictability<sup>6</sup>

**Policy Scenarios:** Five distinct frameworks were modeled to evaluate the impact of current vs. proposed reforms

1. **MACRA Non-QP Baseline:** The statutory "status quo" for clinicians not in Advanced APMs, utilizing a fixed +0.25% annual update<sup>4</sup>
2. **MACRA QP Baseline:** Represents the base incentive for value-based care participation with a fixed +0.75% annual update for Qualifying Participants<sup>4</sup>
3. **Current Law (with 2026 Bump):** Includes statutory MACRA updates plus the one-time +2.5% increase from the "One Big Beautiful Bill Act"<sup>4,5</sup>
4. **Proposed Reconciliation (MEI-Scaled):** Models a uniform update for all providers tied to inflation—calculated as 75% of MEI in 2026 and 10% of MEI annually thereafter<sup>6</sup>
5. **MedPAC Recommendation (MEI – 1%):** Simulates a permanent, inflation-indexed update for all providers equal to the Medicare Economic Index minus 1%; the most aggressive growth scenario<sup>8</sup>

## Results

Current statutory frameworks under MACRA result in a significant "cliff" after 2026. All providers see a one-time 2.5% increase in 2026; however, this bump is unpredictable year-to-year and volatile.<sup>6</sup>

Under the MACRA, a permanent gap remains between groups. Non-QPs are capped at a stagnant 0.25% annual update, resulting in the lowest 2034 terminal value of \$33.08 vs QPs see a 0.75% update with 2034 terminal value of \$34.60.

While QPs currently benefit from a higher statutory update (0.75%), Non-QPs may increasingly favor MedPAC or MEI-tied proposals. These legislative alternatives eliminate the "stagnation" of the 0.25% update, providing an improved growth path that outperforms the current QP baseline by 2030—creating policy divides amongst providers based on APM participation.<sup>9,10</sup>

The MedPAC Recommendation (MEI – 1%) reaches a terminal value of \$35.60—the only scenario that effectively tracks with rising practice costs and provides a sustainable alternative for providers regardless of QP status.<sup>8</sup>

## Conclusions

Temporary, year-to-year legislative "bumps" are neither sustainable nor predictable, leaving providers in a cycle of financial volatility. Current law fails to keep pace with rising practice costs and inflation and further widens the gap between QP and Non-QP reimbursement. These growing divisions and systemic unpredictability will inevitably drive stakeholders toward proposals that prioritize more long-term stability—such as MEI-linked updates—to ensure the continued delivery of quality care.

## Background on Medicare Physician Payment Structure

**The Shift from MEI to MACRA:** Historically, Medicare updates tracked the Medicare Economic Index (MEI) to match rising practice costs.<sup>2</sup> MACRA (2015) replaced these with fixed updates, causing inflation-adjusted reimbursement to decline 26% from 2001 to 2023.<sup>3</sup> Recent 0% freezes (2020–2025) resulted in real-term cuts as high as -3.37%.<sup>3</sup>

**Payment Mechanics:** Reimbursement is calculated by scaling Relative Value Units (RVUs) by the Geographic Practice Cost Index (GPCI) and multiplying by the Conversion Factor (CF).<sup>1</sup> Total spending is strictly limited by Budget Neutrality (\$20 mil) requirements.<sup>3</sup>

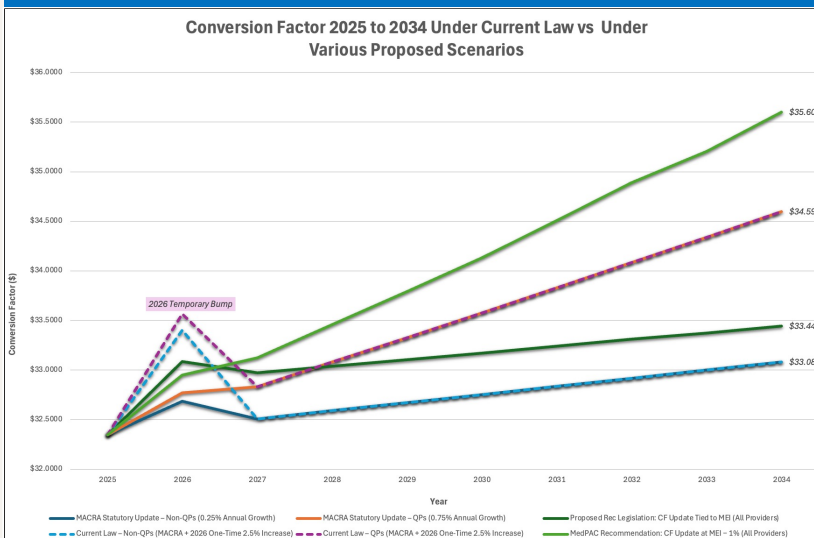


**The 2026 Two-Tier Structure:** In 2026, MACRA bifurcates the CF based on participation<sup>4</sup>:

- **Qualifying APM Participants (QPs):** +0.75% annual update
- **Non-Qualifying Participants (Non-QPs):** +0.25% annual update

The 2026 plan year includes a temporary +2.50% increase via the "One Big Beautiful Bill Act" and a +0.49% budget neutrality adjustment<sup>5,6</sup>, yielding final CFs of \$33.57 (QPs) and \$33.40 (Non-QPs).<sup>4</sup> Because this 2.5% bump is temporary, a corresponding decrease is expected in 2027.<sup>6</sup> This "payment cliff," coupled with unpredictable budget neutrality adjustments, underscores the ongoing volatility of physician reimbursement.

Figure 1



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