Health Policy Update: Is it as bad as it sounds?

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Montefiore Einstein

I (and/or my co-authors) have something to disclose.

All relevant financial relationships have been mitigated.

Detailed disclosure information is available via:
AAOS Disclosure Program on the AAOS website at
http://www.aaos.org/disclosure

Outline

- Summarize Medicare payment trends and updates
- Explain economic pressures on arthroplasty practice
- Identify advocacy priorities & practical actions

The $1,200 Total Joint Arthroplasty Reimbursement: How Did We Get Here, What Is the Impact, and What Comes Next?

Catherine M. Call, MD [a], David E. DeMik, MD [b], Ameer M. Elbuluk, MD [c], Brian P. Chalmers, MD [d], Carl L. Herndon, MD [e], Nicholas B. Frisch, MD, MBA [f], Joshua A. Kerr, MA [g], Adam J. Rana, MD [h, *]

[a] Tufts University School of Medicine, Boston, Massachusetts

- Medicare THA surgeon payment ≈ $1,260 (2025)
- 1995 (inflation-adjusted) ≈ $4,173 → >65% real decline
- Implication: unsustainable margin pressure

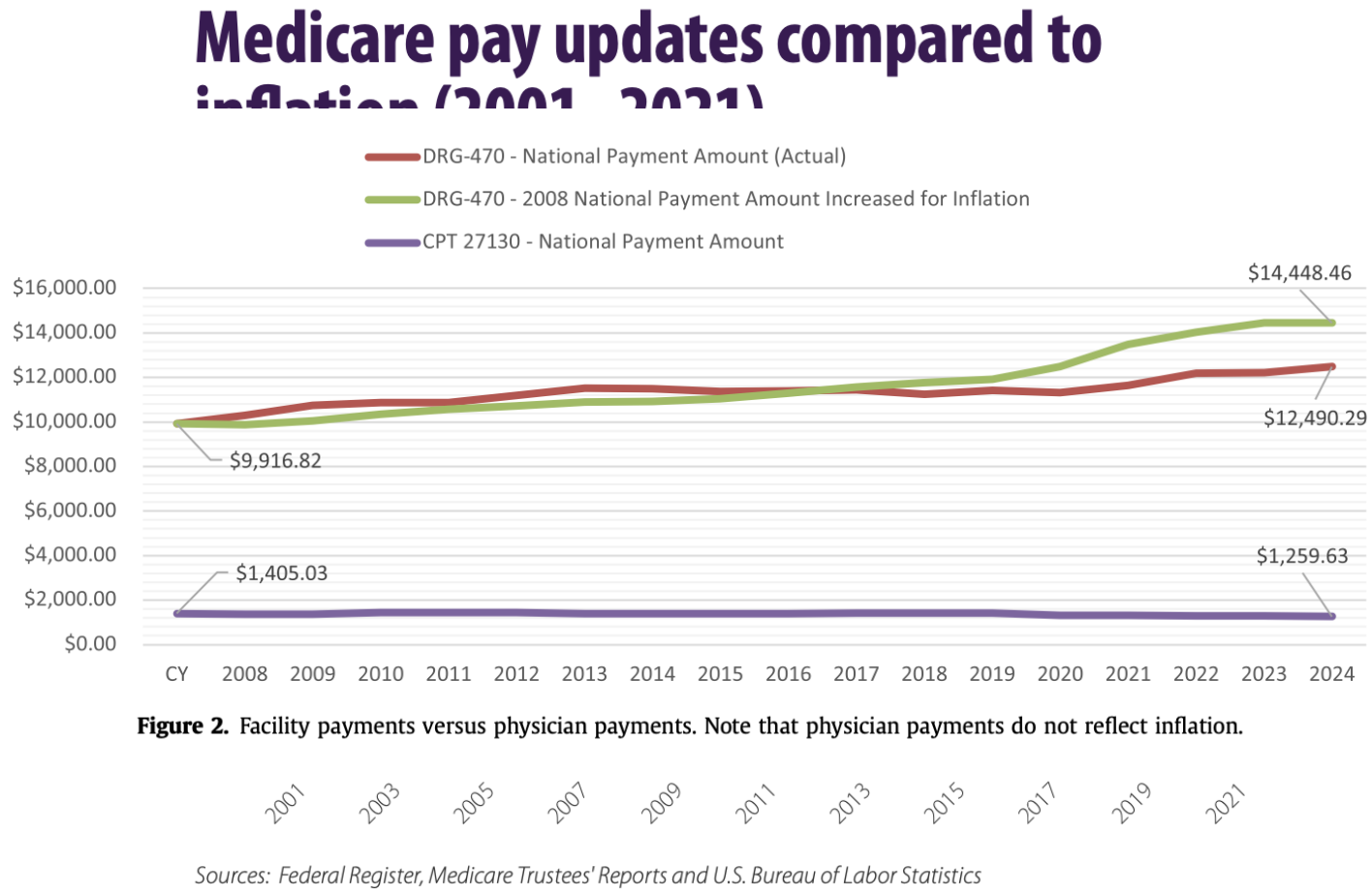

Figure 2. Facility payments versus physician payments. Note that physician payments do not reflect inflation.

C.M. Call et al. / The Journal of Arthroplasty 40 (2025) 1379e1384
https://www.ama-assn.org/system/files/2022-nac-action-kit-payment-reform.pdf

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Reimbursement for Orthopaedic Surgeries in Commercial and Public Payors: A Race to the Bottom

Table 1. Decreasing Medicare and Commercial Surgeon Payments for TKA, THA, TSA, ACDF, and PLF

	TKA		THA	
Year	Medicare	Commercial	Medicare	Commercial
2010	$1,704.04	$2,634.66	$1,593.47	$2,508.32
2011	$1,732.72	$2,650.46	$1,621.05	$2,507.16
2012	$1,688.82	$2,580.39	$1,580.87	$2,461.69
2013	$1,671.40	$2,557.53	$1,565.56	$2,443.92
2014	$1,477.37	$2,453.15	$1,478.14	$2,383.38
2015	$1,489.08	$2,435.77	$1,489.46	$2,386.04
2016	$1,465.04	$2,390.03	$1,465.40	$2,364.45
2017	$1,431.94	$2,366.47	$1,432.67	$2,368.53
2018	$1,408.30	$2,405.20	$1,409.74	$2,399.91
Annual change	$(45.25)	$(39.86)	$(26.78)	$(19.35)
CAGR	−2.10%	−1.01%	−1.35%	−0.49%
Trend significance	<**0.001**	<**0.001**	<**0.001**	<**0.001**

J Am Acad Orthop Surg 2021 Dec 1;29(23):e1232-e1238

Medicare Payment History

- Payments was originally based on:
  - "Reasonable costs" for hospital services
  - "usual, customary and reasonable charges for physician services"

CRS Medicare Primer
https://sgp.fas.org/crs/misc/R40425.pdf

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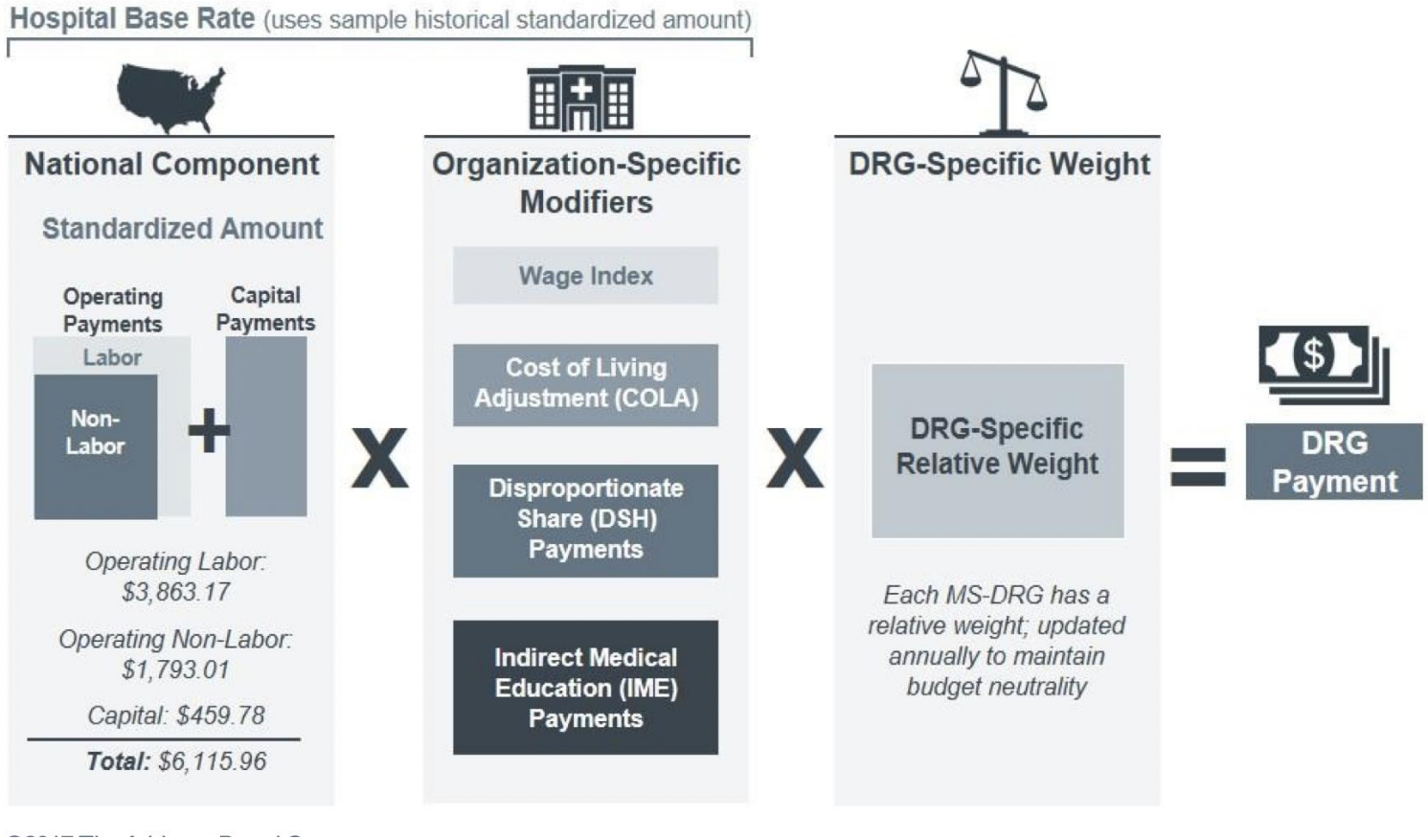
Facility Payments: Diagnosis-related Group (DRG)

- DRGs “bundle” services (labor and non-labor resources) that are needed to treat a patient with a particular disease
- Approximately 500 DRGs: CMS assigns a unique weight
- More costly conditions are assigned higher DRG weights



https://oig.hhs.gov/oei/reports/oei-09-00-00200.pdf

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RVU Components

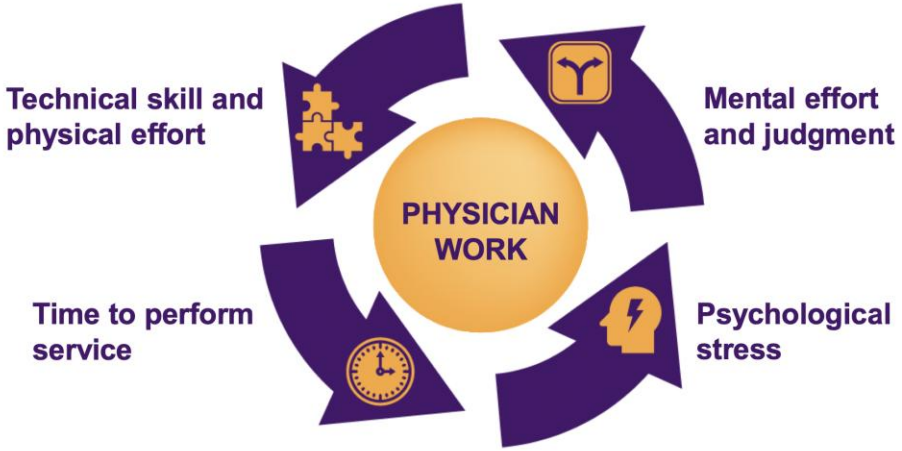
Professional liability

Resource-Based Relative Values

An Overview

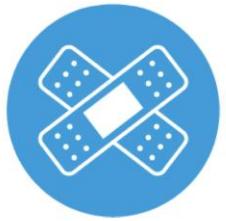
William C. Hsiao, PhD; Peter Braun, MD; Daniel Dunn, PhD; Edmund R. Becker, PhD

Components of physician work



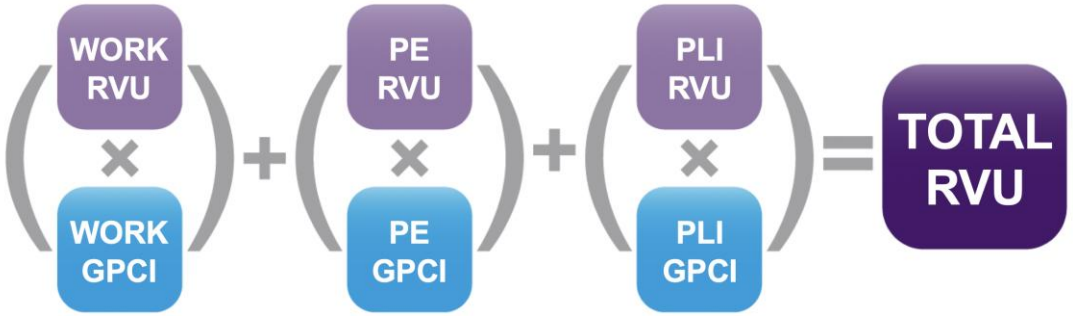
Components of practice expense

Clinical staff
(nurse, X-ray technician, etc)



Medical supplies
(gloves, syringes, etc)

Medical equipment
(exam table, CT scanner, etc)



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https://oig.hhs.gov/oei/reports/oei-09-00-00200.pdf

The $1,200 Total Joint Arthroplasty Reimbursement: How Did We Get Here, What Is the Impact, and What Comes Next?

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[a] Tufts University School of Medicine, Boston, Massachusetts

- 1992 initial Medicare CF = $31.001
- 2025 CF = $32.3562
- Budget neutrality drives repeated cuts
- Physician payments are not inflation-indexed

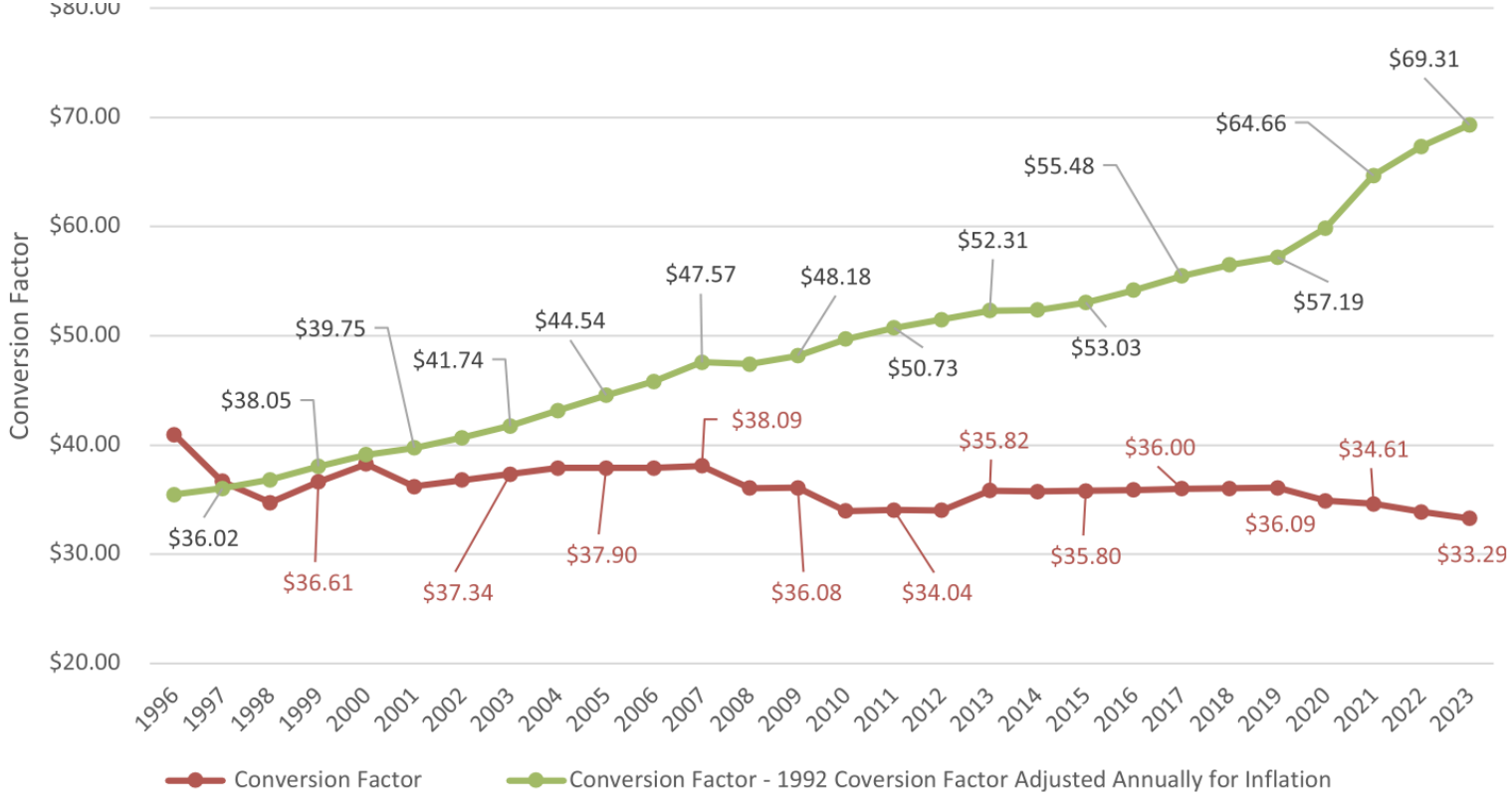

Figure 1. Comparison of the annual Medicare conversion factor versus the 1992 conversion factor simply increased for inflation.

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The Relative Value Scale Update Committee (RUC)

Composition of the AMA/Specialty Society RVS Update Committee

Chair

American Medical Association

CPT Editorial Panel

Health Care Professionals Advisory Committee

Practice Expense Subcommittee:

- Anesthesiology
- Cardiology
- Cardiothoracic surgery
- Dermatology
- Emergency medicine
- Family medicine
- General surgery
- Geriatric medicine
- Internal medicine
- Nephrology*
- Neurology
- Neurosurgery
- Obstetrics/gynecology
- Ophthalmology
- Orthopaedic surgery
- Osteopathic medicine
- Otolaryngology
- Pathology
- Pediatrics
- Physical medicine and rehabilitation
- Plastic surgery
- Primary care*
- Psychiatry
- Pulmonary medicine*
- Radiology
- Urology
- Vascular surgery*

* *Indicates rotating seat*

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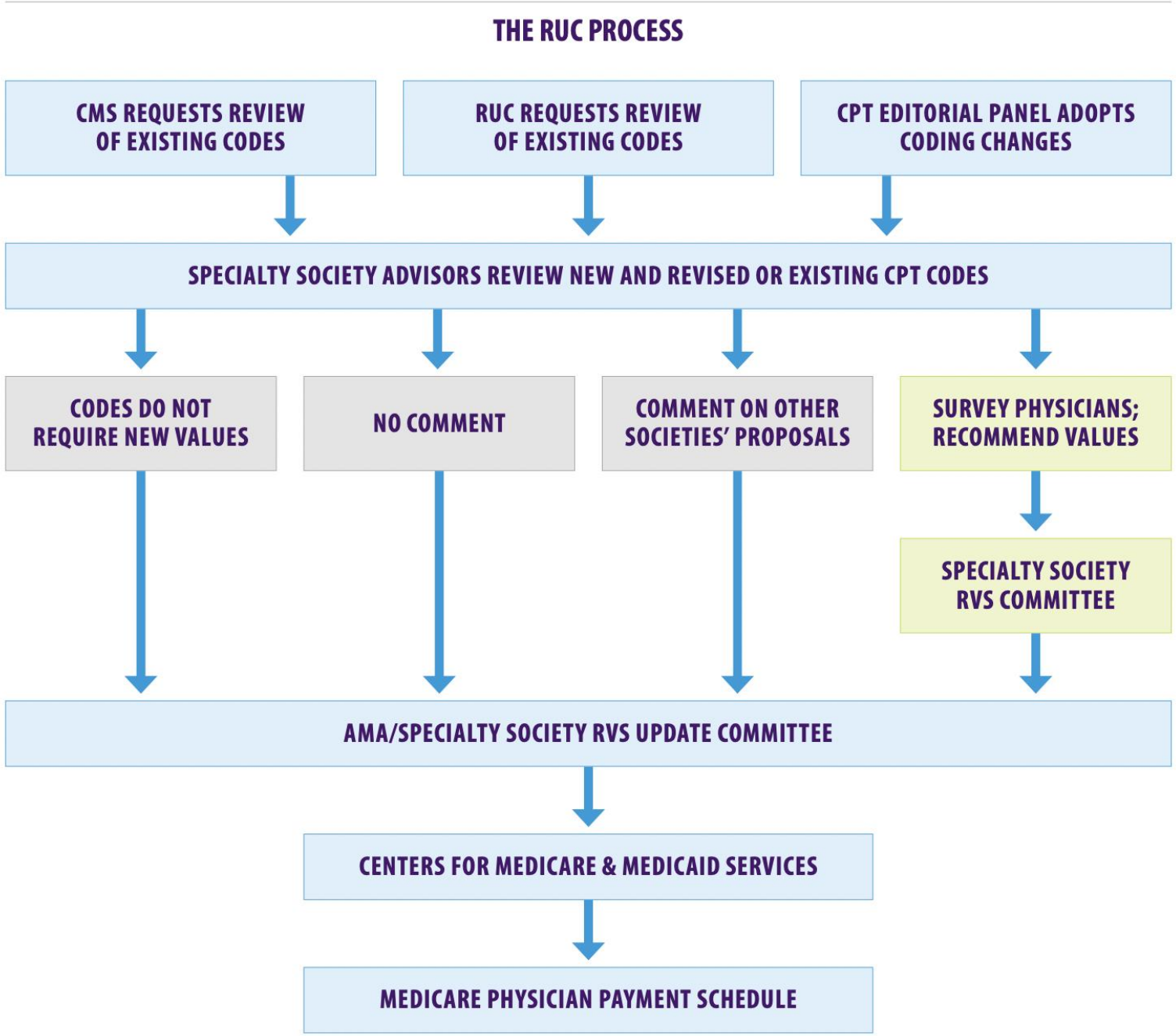
https://www.ama-assn.org/system/files/ruc-update-booklet.pdf



https://www.ama-assn.org/system/files/ruc-update-booklet.pdf

RUC Outcomes

AAHKS Leadership Addressing Potentially Misvalued Codes

Dec 13, 2018 | CMS

"ANONYMOUS" TRIGGERS NEW BATTLE OVER PHYSICIAN PAY

WILLIAM DONOVAN • TUE, NOVEMBER 20TH, 2018

Year	TKA wRVU	THA wRVU
2010	23.25	21.79
2011	23.25	21.79
2012	23.25	21.79
2013	23.25	21.79
2014	20.72	20.72
2015	20.72	20.72
2016	20.72	20.72
2017	20.72	20.72
2018	20.72	20.72

J Am Acad Orthop Surg 2021 Dec 1;29(23):e1232-e1238

Current RVUs

Regional Variation (TKA 27447)

- San Francisco ≈ $1,449 | Manhattan ≈ $1,465
- Indiana ≈ $1,153 | National avg ≈ $1,258
- Local GPCIs drive differences

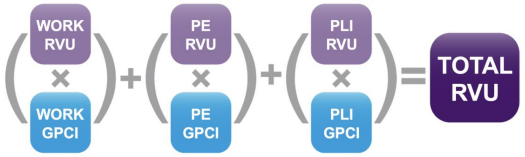
Table 1

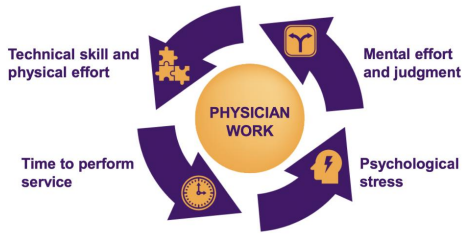
Demonstrates the Relative Value Unit Breakdown for the Most Common Hip and Knee Arthroplasty Current Procedural Terminology Codes. Reimbursement figures were Calculated Assuming That the Geographic Practice Cost Index was Equ

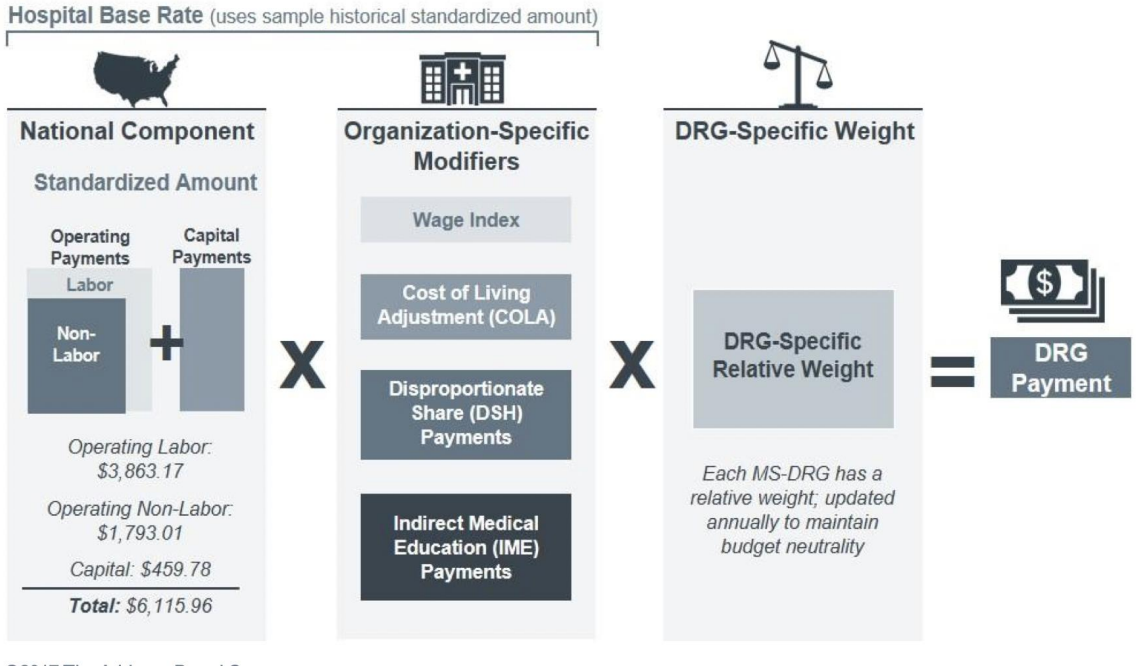
Procedure	CPT Code	Work RVU	PE RVU	MP RVU	Total RVU	Conversion Factor 2023	Reimbursement
Total Knee Arthroplasty	27447	19.6	14.82	3.93	38.35	33.8872	$1,299.57
Unicompartmental Knee Arthroplasty	27446	17.13	13.79	3.41	34.33	33.8872	$1,163.35
Revision Knee Arthroplasty	27487	27.11	19.75	5.43	52.29	33.8872	$1,771.96
Arthroplasty with Hinge Prosthesis	27445	18.66	15.12	3.75	37.53	33.8872	$1,271.79
Total Hip Arthroplasty	27130	19.6	14.85	3.94	38.39	33.8872	$1,300.93
Hemiarthroplasty	27125	16.64	13.93	3.31	33.88	33.8872	$1,148.10
Revision Hip Arthroplasty (Femur)	27138	23.7	16.97	4.74	45.41	33.8872	$1,538.82
Revision Hip Arthroplasty (Acetabulum)	27137	22.7	16.47	4.55	43.72	33.8872	$1,481.55
Revision Hip Arthroplasty (Femur and Acetabulum)	27134	30.28	20.4	6.08	56.76	33.8872	$1,923.44

All Values Were Obtained From the Physician Fee Schedule on Octobe e Following Website

Legislative Vs Regulatory







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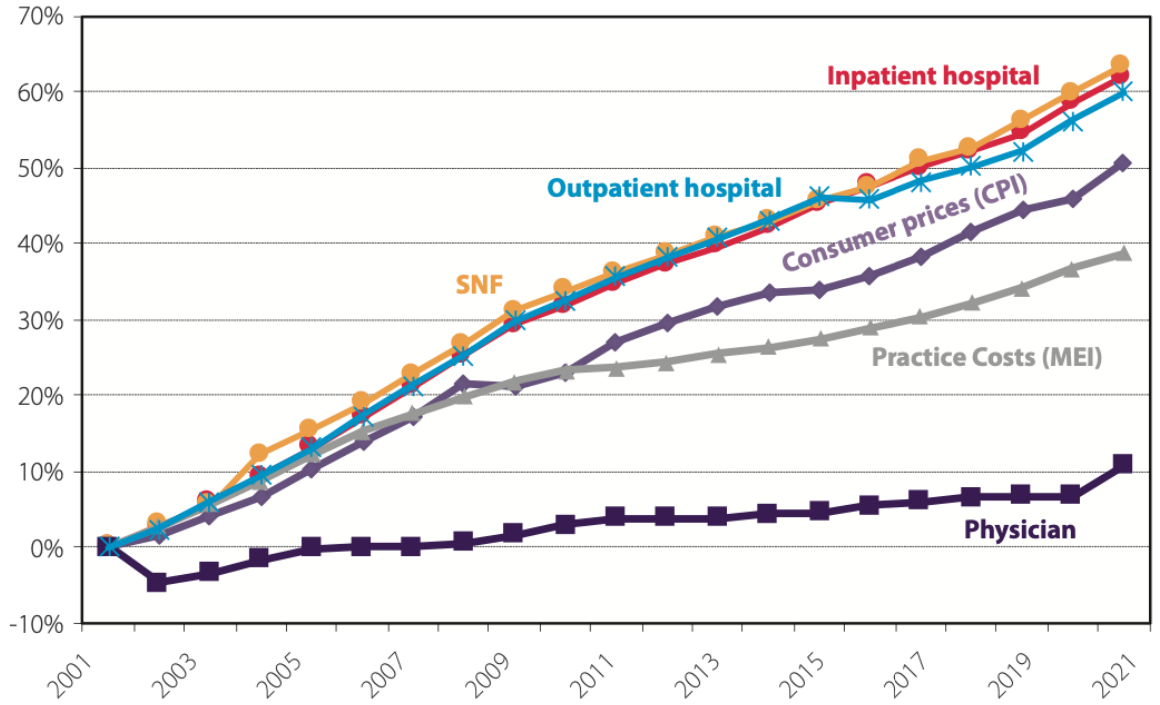
Medicare physician payment is not keeping up with inflation. Why is treating patients taking a backseat?

Medicare pay updates compared to inflation (2001–2021)

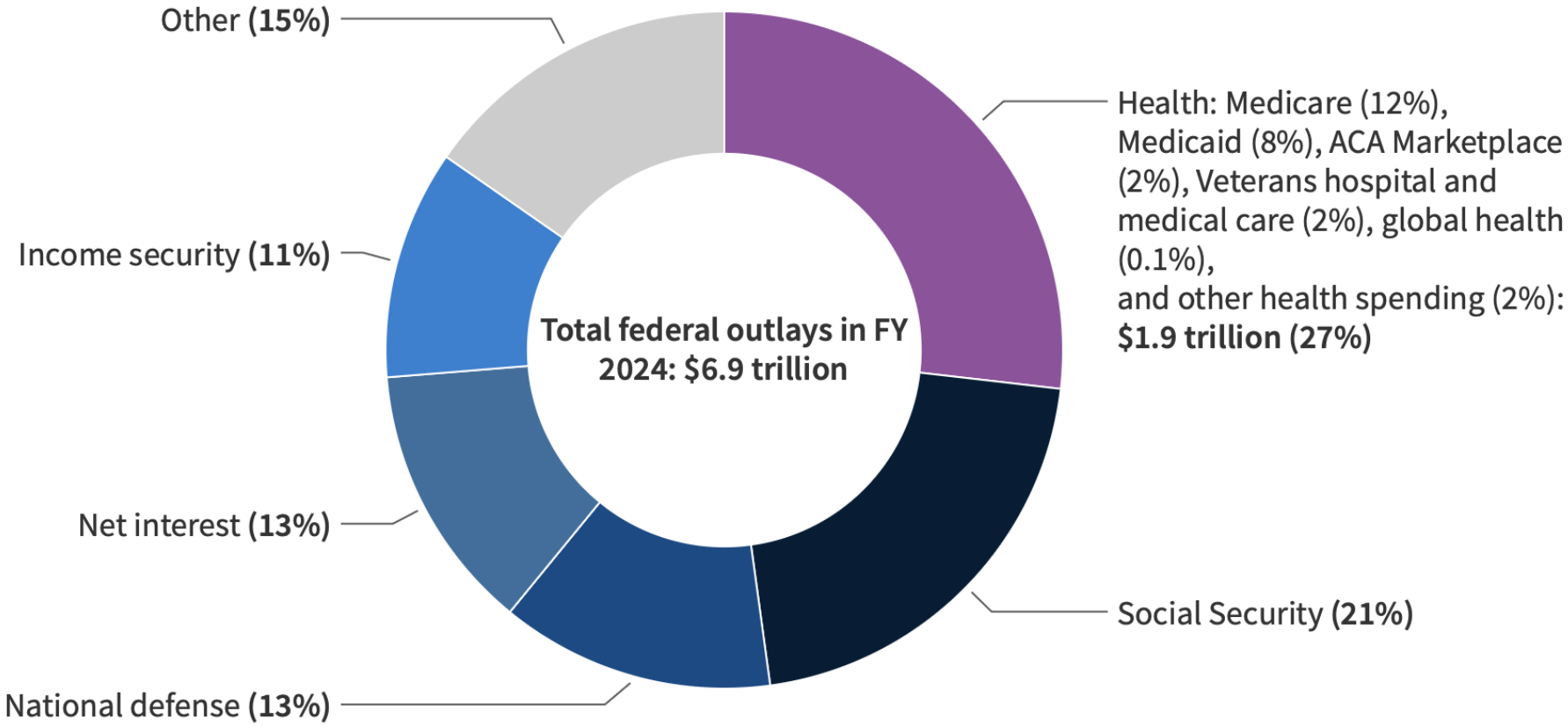


Sources: Federal Register, Medicare Trustees' Reports and U.S. Bureau of Labor Statistics

https://www.ama-assn.org/system/files/2022-nac-action-kit-payment-reform.pdf

Federal Spending on Health Programs and Services Accounted for More Than One Fourth of Net Federal Outlays in FY 2024

Total federal outlays on health programs and services amounted to $1.9 trillion in FY 2024



https://www.kff.org/medicaid/what-does-the-federal-government-spend-on-health-care/

Table 1. Top 20 Reimbursed DRG Families in 2016[a]

Rank	DRG Family	Type	NIS unweighted case volume	NIS weighted case volume	Estimated payment, billions USD (% of top 20 total)
1	870-872: Sepsis	M	323 165	1 615 824	15.59 (13.5)
2	469-470: LE joint replacement	P	246 924	1 234 621	14.34 (12.4)
3	774-775: Vaginal delivery	M	485 836	2 429 178	8.11 (7.0)
4	3-4: ECMO or tracheostomy				
5	853-855: Infectious diseases				
6	765-766: Cesarean delivery				
7	291-293: Heart failure				
8	329-331: Bowel procedure				
9	459-460: Spinal fusion				
10	246-247: PCI with DES				
11	193-195: Pneumonia				
12	682-684: Renal failure				
13	791-792: Prematurity				
14	981-983: Extensive OR procedure				
15	64-66: ICH or stroke				
16	190-192: COPD				
17	219-221: Valve surgery without cardiac catheterization	P	20 152	100 760	3.35 (2.9)
18	207-208: Respiratory disease	M	38 583	192 915	3.33 (2.9)
19	391-392: Esophageal and GI disorders	M	140 033	700 164	3.07 (2.7)
20	480-482: Hip and femur procedure except major joints	P	51 267	256 335	2.92 (2.5)
Total	NA	NA	2 580 893	12 904 460	115.39

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4	3-4: ECMO or tracheostomy	P	19 143	95 715	7.86 (6.8)

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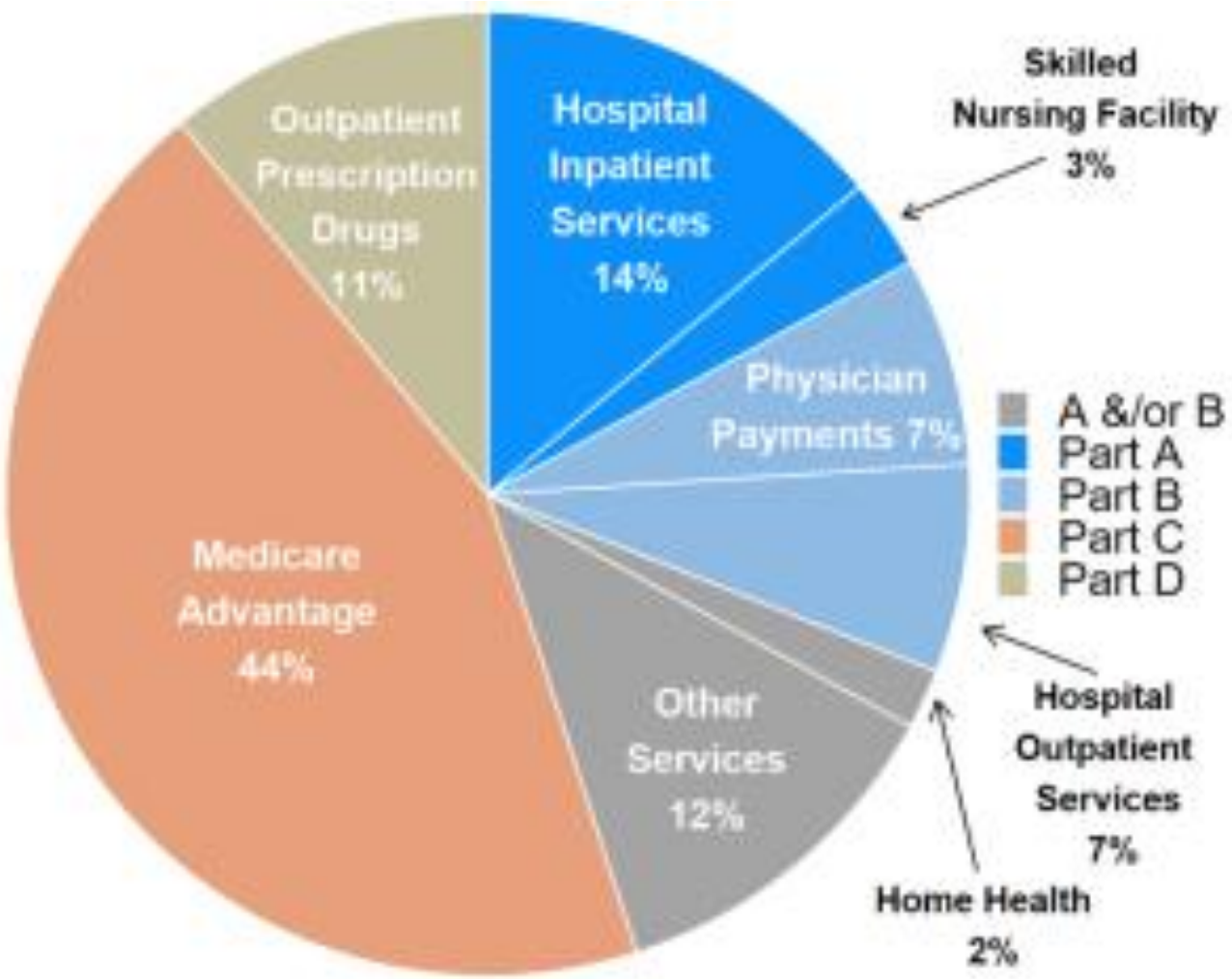
JAMA Netw Open. 2020;3(12):e2028470. doi:10.1001/jamanetworkopen.2020.28470

Physician payments = 7% in 2024



https://www.congress.gov/crs-product/IF10885

Rising Costs & Practice Viability

Contents lists available at ScienceDirect
The Journal of Arthroplasty
journal homepage: www.arthroplastyjournal.org

Editorial
The Current Economic Challenges in Total Joint Arthroplasty

- **TJA off inpatient-only list**
  - ➢ Burden shifted to surgeons
- **High-Comorbidity Patients Increasing**
  - ➢ ↑ costs, ↓ margins, ↑ LOS & readmissions
- **Rising Overhead**
  - ➢ staff, malpractice, EMR, inflation pressure
- **Private Practice Decline**
  - ➢ ownership ↓ from 76% → 44%
- **Workforce pressure points**
  - ➢ Projected **–14%** contraction in workforce by 2050
- Continued **reimbursement erosion + admin friction**
  - ➢ → opt-out risk; **access for Medicare TJA** could tighten

Kane CK. Policy Research Perspectives: Recent Changes in Physician Practice Arrangements: Shifts Away from Private Practice and Towards Larger Practice Size Continue Through 2022.. Presented at American Medical Association Meeting, June 5, 2021. 2023.
The Journal of Arthroplasty 40 (2025) 1658e1659

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Can a Hip and Knee Adult Reconstruction Orthopaedic Surgeon Sustain a Practice Comprised En

Joseph D. Zuckerman, MD, Em

Department of Orthopaedic Surgery, Division of Adult

HOSPITALS, PROVIDERS, PHYSICIANS

Workload Up, Payment Down: The Growing Strain on Independent Practices

Physicians are facing rising workloads, shrinking support staff and declining reimbursement — resulting in a burnout crisis and threatening the sustainability of independent practices. Experts say urgent Medicare payment reforms are needed to prevent further consolidation, as well as preserve access to care.

Table 3

Physician Salary Calculations for an AKOS in a Medicare Only Collections Model Utilizing Different Practice Expense Models.

Expense model	United States
Model I	$287,453
Model II	$72,502
MGMA survey	$863,104

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Medicare Pays Physicians One-Third Less Than Decade Ago, Study Finds

By Bruce Japsen, Senior Contributor. ⓘ Bruce Japsen writes about healthcare ... Follow Author

Published Aug 26, 2025 at 02:30pm EDT, Updated Aug 26, 2025 at 04:43pm EDT

https://www.forbes.com/sites/brucejapsen/2025/08/26/study-medicare-pays-physicians-one-third-less-than-decade-ago/
https://medcitynews.com/2025/09/physician-healthcare-medicare-payment-reimbursement/

Tier 1 – Active Pursuit

Reform prior authorization and coverage reviews

Appropriate Medicare payment reform

Encourage surgeon led value-based models that promote opportunities for surgeons to act as conveners of risk and reward

Support repealing the ban on physician owned hospitals

Maintain surgeon/patient primacy in setting of care

Tier 2—Opportunistic Action

Telemedicine policies that promote equal reimbursement with in-person visits

Support efforts to reduce consolidation

Support medical liability reform at the federal and state level

Encourage site neutral payments as appropriate

Appropriate payment transparency

Support reforms to Stark laws

Increase/maintain federal funding for research in MSK care to strengthen available evidence on specialty MSK care including patient outcomes

Maintain surgeon/patient primacy in setting of care

Enacting an annual, permanent inflationary payment update in Medicare that is tied to the Medicare Economic Index (MEI)

American Medical Association
Academy of Physicians in Clinical Research
American Academy of Allergy, A
American Academy of Dermatolo
American Academy of Emergenc
American Academy of Facial Pla
American Academy of Family Ph
American Academy of Hospice a
American Academy of Neurology
American Academy of Ophthalm
American Academy of Otolaryng
American Academy of Otolaryng
American Academy of Physical M
American Academy of Sleep Me
American Association for Hand S
American Association of Hip and
American Association of Neurolo
American Association of Neurom
American Association of Orthopa
American Association of Public H
American College of Allergy, Ast
American College of Cardiology
American College of Emergency
American College of Gastroente
American College of Lifestyle Medicine

American College of Medical Genetics and Genomics
American College of Mohs Surgery
American College of Physicians
American Society of Regional Anesthesia and Pain Medicine
American Society of Retina Specialists

American Society of Transplant Surgeons
American Thoracic Society
rogynecologic Society
rological Association, Inc.
enous Forum
for Clinical Oncology
of American Medical Colleges
merican Pathologists
f Neurological Surgeons
Society
m Society
l Pain and Spine Intervention Society
up Management Association
Endovascular and Interventional Society
icians Association
Cardiovascular Angiography and
s
Vascular Surgery
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ritical Care Medicine
Hospital Medicine
nterventional Radiology
Nuclear Medicine and Molecular Imaging
an Society of Breast Surgeons
an Society of Dermatopathology
The Society of Thoracic Surgeons

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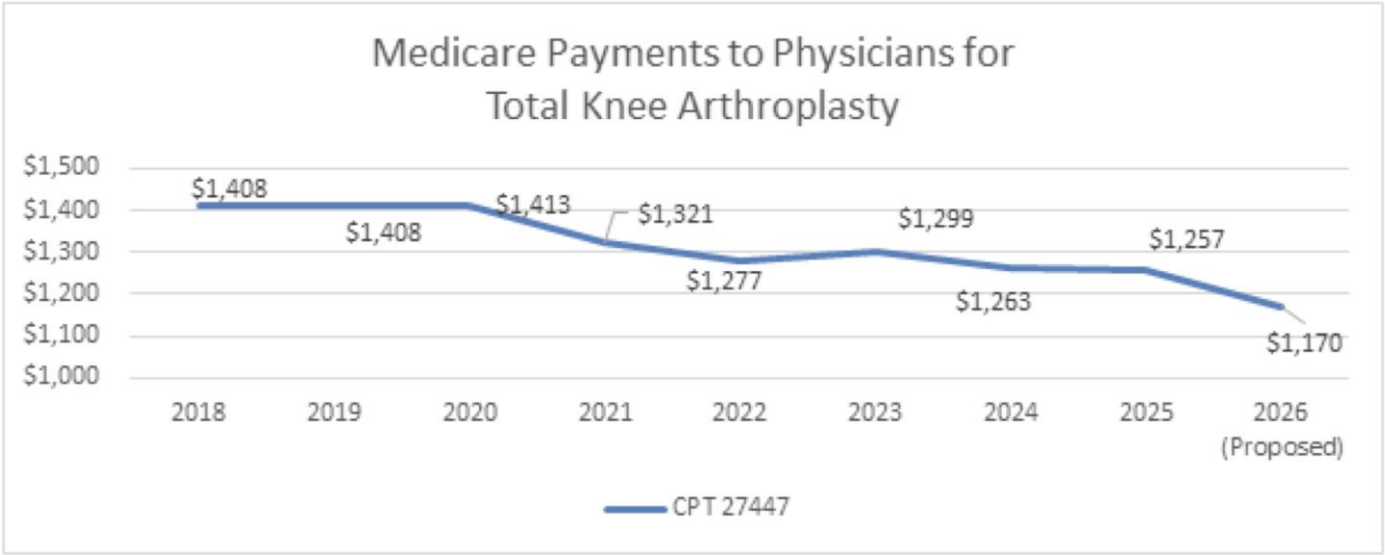
Legislative & Regulatory Landscape
"What Congress did" vs "What CMS proposed"

- H.R. 1. "One Big Beautiful Bill"
  - Original bill called for a 75% MEI inflation update in 2026 followed by an annual MEI increase
  - No permanent, inflation-adjusted payment fix
  - Temporary physician payment fix of 2.5%
- CMS 2025 conversion factor: $32.3562
  - reduction of 2.8% from 2024 levels

Regulatory Update

- CMS proposing different CFs 2026 based on participation in advanced alternative payment models
- CMS proposing -2.5% “efficiency adjustment” applied to all non-time-based codes
- Practice Expense Cuts: 24% PE RVU reduction based on assumptions about hospital employment



Medicare Payment Levels for Hip and Knee Arthroplasty					
	2025	2026 (Proposed)			
		QP	% Change	Non-QP	% Change
CPT 27447	$1,257	$1,170	−6.87%	$1,164	−7.34%
CPT 27130	$1,259	$1,173	−6.86%	$1,167	−7.32%

https://www.aahks.org/wp-content/uploads/2025/09/AAHKS-2026-PFS-Comment-Letter.pdf

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Loan Provisions - H.R. 1. “One Big Beautiful Bill”

- Removes the ability for medical students to receive Federal Direct Stafford loans and Federal Direct PLUS Loans
- Medical students will still be able to access Federal Direct Unsubsidized Stafford loans
- Caps the amount that can be borrowed for school ($257,500)
- Elimination of Graduate PLUS Loan Program
- Limits new federal student loan borrowers to only two repayment options

https://www.aaos.org/globalassets/advocacy/letters/september-2025-physician-organizations-letter-on-student-loan-limits.pdf

Prior Authorization

- **AMA survey:** 35% of physicians reported **serious adverse events** tied to PA delays; 88% report **high/extreme burden**
- Hospitals now **ally** with surgeons (AHA position) — **clawbacks** & retro reviews hitting them too for DRG payments
- *Improving Seniors' Timely Access to Care Act*: decision timelines (72h expedited/7d standard), transparency, routine-service "down-shift." Bipartisan but stalled last session; expected to return.

Prior Authorization

Press Releases Jun 27, 2025

CMS Launches New Model to Target Wasteful, Inappropriate Services in Original Medicare

Fraud, waste, & abuse

Medicare Will Require Prior Approval for Certain Procedures

A pilot program in six states will use a tactic employed by private insurers that has been heavily criticized for delaying and denying medical care.

Bipartisan bill to extend telehealth flexibilities reintroduced H. R. 5081

- Reintroduced the Telehealth Modernization Act
- Extend Medicare telehealth flexibilities through fiscal year 2027
- Removes geographic and originating site restrictions
- Allows audio-only visits for patients without internet access

Specialty Physicians Advancing Rural Care (SPARC) Act

- Incentivize specialized practitioners to practice in underserved rural communities
- Loan repayment program offers eligible providers up to $250,000 in loan repayment in exchange for a six-year commitment to practice in underserved communities

PEER REVIEWED ORTHOPAEDIC RESEARCH PROGRAM

CDMRP
DEPARTMENT OF DEFENSE
CONGRESSIONALLY DIRECTED MEDICAL RESEARCH PROGRAMS

MISSION: Fund high-impact and clinically relevant research to advance treatment and rehabilitation from orthopaedic injuries sustained during combat and service-related activities to maximize return to duty

PROGRAM PRIORITIES

- Prostheses and orthoses
- Retention strategies
- Composite tissue regeneration
- Limb stabilization and protection
- Volumetric muscle loss
- Osseointegration
- Translation of early findings

Congressional Appropriations FY09-FY24:

$548.5M total

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https://cdmrp.health.mil/prorp/pbks/PRORP%20Summary%20Sheet_10June25.pdf

Value Based Care & CMS Reporting Requirements

- All Medicare patients to be in **value-based care relationships by 2030**
- Shift away from fee-for-service → accountability for **quality + total cost of care**
- TEAM: Expands bundles (hospitals hold risk)
- PROMs (HOOS JR, KOOS JR): Required for TJA, tied to reimbursement & star ratings
- MIPS → MVP: Surgeon-specific reporting replacing traditional MIPS

Value Based Care & CMS Reporting Requirements

- Shadow bundles show average specialist costs for defined episodes (e.g., joint replacement)
- Implications: Referral patterns driven by cost → risk of 'race to the bottom' if value = cost only
- Challenges: Poorly applied quality metrics, consolidation
- Action: Surgeons must lead in defining value, reducing waste, uniting orthopaedics

CALL TO ACTION

Overall Trend

Combined share of the US population in government health plans increased substantially since 1980: 20%→ 38%

Implication

Government health plans have an enormous direct and indirect effect on healthcare practice finances

Why It Matters

The transition to value-based care is identical to the introduction of the RVU system in the 1980s

This is an opportunity to have major positive or negative impacts on the future of healthcare for decades

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https://data.census.gov/

2021 E/M Coding Changes

CPT Code	2020 Work RVU	2021 Work RVU	Change
99202	0.93	0.93	0%
99203	1.42	1.60	↑ 12%
99204	2.43	2.60	↑ 6%
99205	3.17	3.50	↑ 10%
99211	0.18	0.18	0%
99212	0.48	0.70	↑ 34%
99213	0.97	1.30	↑ 34%
99214	1.50	1.92	↑ 28%
99215	2.11	2.80	↑ 32%

E/M Work RVU Changes (2020 → 2021)

Largest increases observed in established visit codes

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Principle Care Management Codes 99424-27

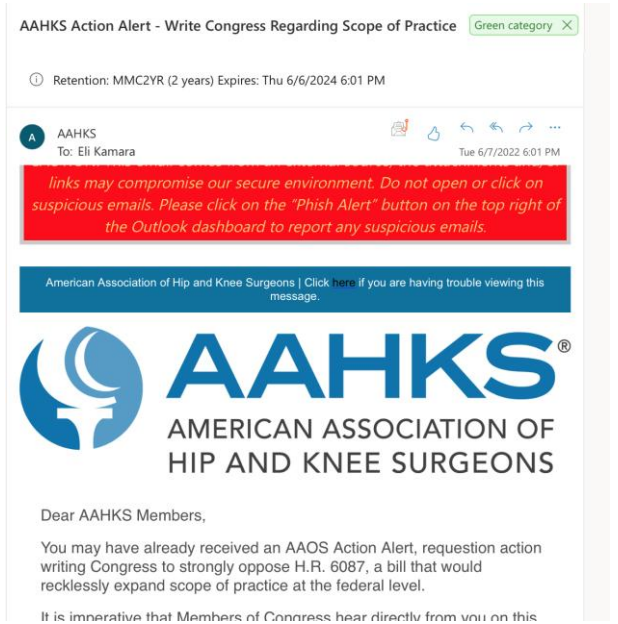
- CMS recognizes non-face-to-face presurgical optimization work
  - 99424: First 30 min per month by physician/QHP (1.45 RVU)
  - 99425: Each additional 30 min by physician/QHP (1.0 RVU)
  - 99426: First 30 min clinical staff time directed by physician/QHP (1.0 RVU)
  - 99427: Each additional 30 min clinical staff time (0.71 RVU)
- Requirements
  - High-risk disease ≥3 months, risk of hospitalization
  - Requires complex care plan, frequent adjustments, team coordination
  - Starts after surgical decision, ends 24h pre-op (global period)
- Key Points
  - Includes face-to-face and non-face-to-face encounters
  - Documentation of all time critical; billed monthly based on total minutes

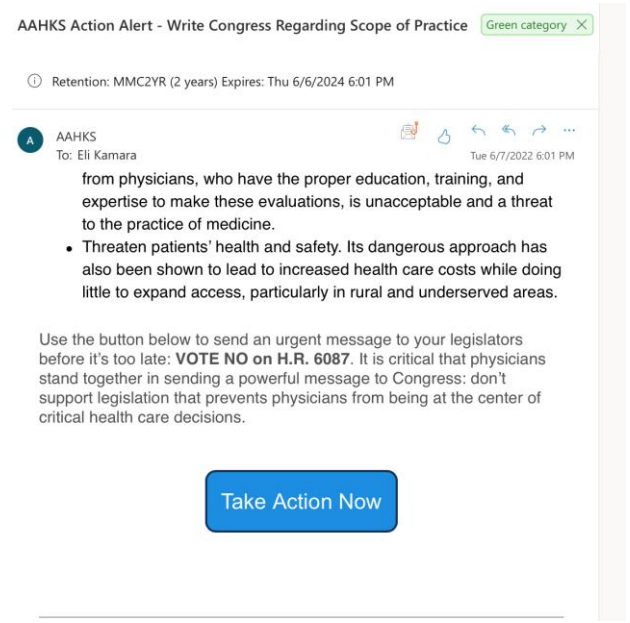
Add on Code G2211

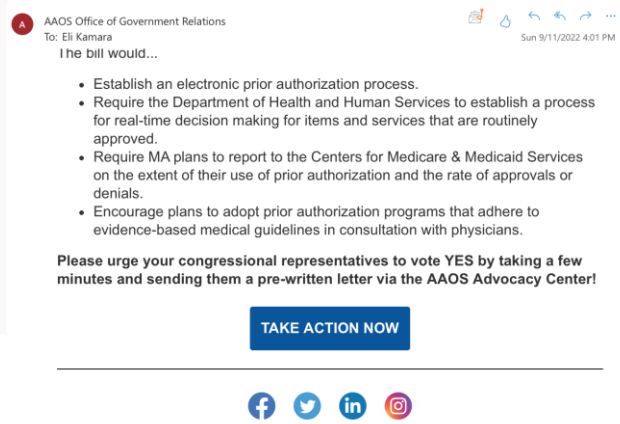
- CMS add-on code (effective Jan 1, 2024)
  - office/outpatient E/M visits to recognize longitudinal complex care
- 0.33 wRVU / $16 Medicare allowable payment
- When to Bill:
  - Ongoing management of a single serious/complex condition (e.g., hip/knee arthritis)
- When Not to Bill:
  - Discrete/short-term issues (e.g., sprain, routine fracture care)
  - If procedure done with modifier -25 (e.g., injection)
- Documentation:
  - No extra diagnosis or documentation required, but care plan must show longitudinal continuity

How to get involved?

- Email campaigns
- Society memberships
- Political Action Committee
- Member of Congress
- Society committees







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Orthopedic Political Action Committee

Orthopaedic PAC 2021
Financial Highlights

THE ORTHOPAEDIC PAC CLOSED OUT 2021 STRONG DESPITE ONGOING PANDEMIC AND POLITICAL TURMOIL

Hard	Dollars In	Participation	Soft	Dollars In	Participation
2021	$1.05M	2,225	2021	$640,000	582
2020	$1.15M	2,546	2020	$667,000	787

OVER $900K

Disbursed to members of congress and condidates

The State of Orthopaedic Advocacy

- Legislation: 'One Big Beautiful Bill' – 2.5% Medicare payment fix, loan provisions
- Funding threats: NIH & DoD PRORP eliminated in FY2025; Senate push to restore funding
- CMS rules: Shadow bundle, reporting requirements, 2.5% 'efficiency adjustment' → 3% overall cut for orthopaedics
- Advocacy: Prior auth reform, telehealth, physician-led hospitals repeal
- Value Based Care

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Key Takeaways

- Surgeon pay ≈ **$1.2k/case** while costs rise → **unsustainable**
- Advocacy is **working** (short-term fixes), but **bigger structural reforms** are needed (MEI link, Value ≠ Cost, PA reform)

Health Policy Update: Is it as bad as it sounds?

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