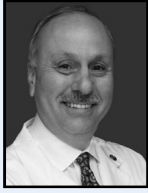


Big Beautiful Bill Includes Inflation Updates for Pathology Rates

House Republicans passed the One Big Beautiful Bill Act (OBBBA-H.R. 1) on May 22.

The OBBBA includes provisions to link Medicare Physician Fee Schedule payments to the Medicare Economic Index (MEI). The bill is a big step toward providing pathologists and



A. Joe Saad, MD

pathology labs with annual inflation updates to their Medicare rates. Below is a summary of *LE's* interview with CAP Governor A. Joe Saad, MD, on what potential MEI inflation updates will mean for pathologists and pathology labs.

What kind of inflation updates are included in the BBB?

The year one increase (effective January 1, 2026) would hike the Medicare PFS conversion factor by 75% of MEI. This would be quite acceptable.

For 2027 and onwards the conversion factor would be raised by 10% of the MEI. This falls far short of expectations and would further strain the entire Medicare population's access to high quality care. So, there is still work to be done, but it does change the mindset in Congress to consider further future increases.

[For the sake of comparison, the MEI increased by 4.6% in 2024 and by 3.5% in 2025. In 2026, the MEI is expected to increase by 2.3%, so this would mean a 1.7% increase in physician payments.]

What is the estimated cost of implementing MEI inflation updates?

The Congressional Budget Office (CBO) has estimated this provision will cost about \$8.9 billion to the Medicare physician payment system over a 10-year budget window.

Who were some of the supporters of MEI-linked increases to the conversion factor?

The CAP is very appreciative of our advocates in Congress, especially our physician colleagues, who were able to win increases to Medicare payments through tough negotiations in a very difficult and divisive budget battle. Notable supporters have included Representatives Raul Ruiz, MD (D-CA), Ami Bera, MD (D-CA), Mariannette Miller-Meeks, MD (R-IA) and former Rep. Larry Bucshon, MD (R-IN).

Wasn't the 2.8% cut to the conversion factor for 2025 highly unusual? What happened?

Yes. In recent years, Congress has always acted to mitigate Medicare PFS cuts. Congress was initially poised to provide relief for the 2.8% cut in December 2024 through a continuing resolution (CR) that almost passed the House but was derailed at the last minute. Ultimately, the CR passed in December, and another CR passed in March, but both failed to mitigate the cuts. It was a huge disappointment, but we are now focused on the future. There is reason to be optimistic given the precedent H.R. 1 will set.

Would MEI inflation adjustments help to offset potential adjustments to the CF due to sequestration cuts?

Yes. MEI inflationary updates would be an important factor in adjusting the conversion factor and reversing the downward payment spiral. In recent years, the CF has decreased, in large part, from implementation of the new E&M code (G2211) and sequestration cuts. This is triggered by budget neutrality, which has yet to be addressed by Congress. The MEI inflationary updates are definitely a positive development and will provide benefit.

What is the current status of the One Big Beautiful Bill Act (H.R. 1)?

H.R. 1 is now in the hands of the Senate. The Senate definitely wants to make adjustments and put their own markers down for further negotiation. Several fiscally conservative senators are concerned about costs and increases to the federal deficit. Some want further cuts to Medicaid. Many on both sides are concerned about cuts to healthcare, especially Medicaid, which could increase the number of uninsured by millions.