



Issue: Efficiency Adjustment

CAP Position: The College of American Pathologists (CAP) calls on Congress to pass HR 7520, the Efficiency Adjustment Delay Act, introduced by Rep. Estes (R-KS) and Rep. Suozzi (D-NY), to reverse the Centers for Medicare & Medicaid Services' (CMS') across-the-board reduction in physician work relative value units (RVUs), because it lacks a clear, data-driven justification. As such, the policy is flawed, harmful, and will hurt patient care.

Legislation

HR 7520 would reverse implementation of the CMS's efficiency adjustment policy until 2030. It also requires the CMS to submit a report to the House Energy and Commerce and Ways and Means Committees and the Senate Finance Committee no later than 2 years after enactment of the legislation with an assessment of codes that have not been valued or reviewed in the past ten years and whether those codes should receive a one-time efficiency adjustment. Further, the legislation limits future implementation of this policy, assuming the report supports a one-time efficiency adjustment.

If the report supports a one-time efficiency adjustment, the Secretary may implement an efficiency adjustment policy if the following criteria are met:

- Consult with physician representatives impacted by policy;
- The policy adjustment must not apply to services revalued or reviewed within the previous 10-year period; and
- The Secretary must devise a methodology for calculating an adjustment that does not rely on a factor that is used for productivity relative to inflation unless the update to the non-qualifying APM conversion factor is greater than or equal to the percentage increase of CPI-U for the previous year.

Additionally, HR 7520 adds a permanent 0.49% increase to the conversion factor. That increase will benefit all physicians, including primary care, because it retains the increase primary care received because of the efficiency adjustment policy.

Background

On January 1, the CMS implemented an efficiency adjustment based on their concern that productivity efficiencies are not accounted for in current physician work RVUs for non-time-based services. The efficiency adjustment decreased the work RVUs and the intra-service physician time for non-time-based services by 2.5%. This policy reduced payment for more than 7,000 physician services. According to CMS, physician services and procedures, radiology services, and diagnostic tests should become more efficient over time: as they are performed more frequently, practitioners gain experience, technology advances, and operational processes improve. To support this view, CMS cited limited studies suggesting that the ratio of the physician fee schedule time to empirical time data is often inflated.

However, the efficiency adjustment policy, applied broadly, overlooks the realities of modern medical practice. It does not reflect factors that increase physician workload, such as rising patient complexity and the evolution of medical technologies. For instance, emerging tools such as AI can generate significant amounts of additional information, requiring added interpretive work and time.

Increased patient complexity also requires additional physician review, confirmation of findings, or correlation with other studies for a pathologist to provide a cancer diagnosis. All these changes demand added time and cognitive effort that often goes uncompensated. Rather than creating net efficiencies, changes in medical practice may intensify the interpretive and documentation burden placed on physicians.

Now more than ever, patients and their treating physicians are relying on the expertise of pathologists. Pathologists and the services they provide, including ensuring laboratory quality in communities across the United States, are at the foundation of our health care system. This



arbitrary policy combined with draconian cuts to the Clinical Laboratory Fee Schedule in 2027, the financial instability of the Medicare payment system, including the lack of full annual inflationary updates, ongoing Medicare cuts, and budget neutrality requirements, is eroding our nation's laboratory infrastructure. Congress recognized this instability and its impact on patient care, which is why it provided a conversion factor adjustment for 2026. **Therefore, Congress must reverse this flawed policy by passing HR 7520, the Efficiency Adjustment Delay Act.**

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