

MedPAC's 2027 Pay Recs Please AMA, Disappoint Home Health, Hospice Providers

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The American Medical Association (AMA) is cheering the Medicare Payment Advisory Commission's recommendation to Congress that Medicare physician pay increase by an additional 0.5 percentage points in 2027, but MedPAC's recommendations for next year are not pay bumps in every sector, suggesting a 4% pay reduction for skilled nursing facilities, 7% decrease in home health pay, 7% cut to inpatient rehabilitation facilities, and no payment change for hospice or outpatient dialysis services.

Congress' Medicare pay advisors also approved recommendations Thursday (Jan. 15) that lawmakers keep Medicare's 2026 base payment rates for general acute care hospitals the same for 2027. Commissioners suggested Congress implement the Medicare Safety-Net Index (MSNI) that MedPAC outlined two years ago and add \$1 billion to the MSNI pool.

MedPAC will forward its 2027 Medicare pay recommendations to Congress via the commission's March report.

AMA praised MedPAC's recommended physician pay adjustment, saying it underscores "a longstanding policy failure that is widely recognized but remains unresolved." However, the suggested 0.5% increase in addition to the current law's 1% update doesn't negate the on-going issue that Medicare payments aren't keeping pace with rising practice costs, AMA says.

"While the AMA agrees with MedPAC's diagnosis of the problem, it is disappointed that the commission has stepped back from the solution it endorsed just months ago, a point that two commissioners noted today," David Aizuss, chair of the AMA Board of Trustees, said in a statement. "Linking Medicare physician payment updates to [the Medicare Economic Index] as MedPAC itself suggested last June would provide stability for physician practices and certainty for patients, particularly those in rural and underserved communities, that access to their physician won't be compromised."

MedPAC Commissioners Brian Miller and Kenny Kan cast the two no votes on the physician pay recommendation. Miller opposed how this pay update recommendation has changed over time by four percentage points despite no meaningful change in the commissioner's measures, while Kan cited concerns that policymakers aren't recognizing how negative payment updates are driving provider consolidation.

The two commissioners abstained from voting on the hospital pay recommendation but joined their colleagues to unanimously pass the pay recommendations for skilled

nursing facilities, home health, inpatient rehabilitation facilities, dialysis centers and hospice.

The National Alliance for Care at Home said in a statement that MedPAC's proposed drastic home health pay reduction and hospice pay stagnation do not reflect the industry's operating realities, nor the cumulative impact of recent policy changes.

MedPAC estimates its proposed decrease for home health pay will reduce spending over one year anywhere from \$750 million to \$2 billion, and over five years cut spending between \$10 billion and \$25 billion. The commission's hospice recommendation would reduce spending by \$250 million to \$750 million over one year and between \$1 billion and \$5 billion over five years, MedPAC says.

"For home health agencies, any cut -- let alone one of such great magnitude -- will threaten the ability to meet individuals' healthcare needs," Steve Landers, CEO for the Alliance, said in a statement. "Yet again, the Commission is failing to understand the operating reality providers face and the potential patient harm that any further payment cuts pose."