

Provider Reimbursement Stability Act of 2026 (H.R. 8163)

Bill Text: [H.R.8163](#)

Sponsor: Rep. Greg Murphy (R-NC) and bipartisan cosponsors

Introduced: March 30, 2026

Overview

The Provider Reimbursement Stability Act of 2026 proposes a series of targeted reforms to the Medicare Physician Fee Schedule (PFS) intended to improve payment stability and predictability for physicians and other clinicians. The legislation focuses primarily on addressing concerns about Medicare budget neutrality policies, inaccurate utilization assumptions, outdated practice expense data, and significant year-to-year fluctuations in the physician conversion factor.

Section 2. Updating the Budget Neutrality Threshold

Under current law, CMS must apply budget neutrality adjustments when changes to physician payments are projected to alter Medicare spending by more than \$20 million. The bill would:

- Increase the budget neutrality threshold from \$20 million to \$54.3 million beginning in 2027.
- Maintain the new threshold for 2028 and future years.
- Beginning in 2032, index the threshold every five years using cumulative growth in the Medicare Economic Index (MEI).

Potential Impact

Supporters argue the current threshold no longer reflects the size of the Medicare program and can trigger payment reductions even when spending changes are relatively modest. Raising the threshold would reduce the frequency and magnitude of budget neutrality adjustments associated with Medicare physician payment changes.

Section 3. Budget Neutrality Corrections Relating to Estimated Utilization

The bill would establish a process for correcting budget neutrality adjustments when CMS's utilization assumptions differ substantially from actual utilization.

Beginning in 2027:

- CMS would compare estimated utilization used to establish spending assumptions with actual utilization of certain specified services.
- If the difference exceeds a statutory threshold, CMS would adjust the physician fee schedule conversion factor during a future "assumption correction period" to reconcile the discrepancy.
- The provision applies to services with significant projected expenditures that were previously bundled into payment for another service but later receive separate or add-on payment.

The legislation also specifies that these reconciliation adjustments would not themselves trigger additional budget neutrality adjustments.

Potential Impact

The provision seeks to address situations in which Medicare payment reductions are based on projected utilization that ultimately proves inaccurate. By requiring retrospective reconciliation, the bill would provide a mechanism to correct both overestimates and underestimates of service utilization.

Section 4. Timely Updates to Practice Expense Inputs

The bill would require CMS to update direct cost inputs used to calculate practice expense relative value units (RVUs) on a regular schedule.

Specifically:

- CMS would be required to update applicable direct cost inputs at least once every five years.
- Updates would include clinical staff wage rates, medical supply costs, equipment costs, and other direct practice expense inputs used in the payment methodology.
- All direct cost categories would be updated simultaneously.
- CMS would be required to consult with physician specialty societies and other stakeholders when making these updates.

Potential Impact

Stakeholders have frequently raised concerns that portions of CMS's practice expense methodology rely on outdated cost information. This provision would establish a regular review cycle intended to align Medicare payment rates more closely with current practice costs.

Section 5. Limitation on Year-to-Year Conversion Factor Variance

Beginning in 2027, the bill would place limits on the extent to which budget neutrality adjustments could affect the physician conversion factor.

Under the legislation:

- CMS could not apply a budget neutrality adjustment that causes the conversion factor to vary by more than **2.5 percent** from the previous year's conversion factor.
- The broader statutory requirement for budget neutrality would remain in place.

Potential Impact

The provision is intended to reduce sharp year-to-year swings in physician payment rates and provide greater predictability for physician practices, health systems, and other providers participating in Medicare.

Key Takeaway

The Provider Reimbursement Stability Act of 2026 proposes a focused set of Medicare physician payment reforms centered on budget neutrality and payment stability. The bill would increase the budget neutrality threshold, establish a process for correcting inaccurate utilization assumptions, require periodic updates to practice expense inputs, and limit annual conversion factor fluctuations. Collectively, these provisions are intended to improve the predictability and accuracy of Medicare physician reimbursement while maintaining the overall budget neutrality framework.