

## **Permanent Conversion Factor Update Under Section 1848(d) [42 U.S.C. 1395w-4(d)] compared to Temporary Adjustments under 1848(t) [42 U.S.C. 1395w-4(t)]**

The reconciliation proposal permanently rewrites paragraph (20) of Section 1848(d), which governs the update to the Medicare conversion factor. Under the new language, starting in 2026, the conversion factor will increase by 75 percent of the Medicare Economic Index. For 2027 and every year after that, the update will be 10 percent of the Medicare Economic Index. There is no expiration date or sunset clause attached to this amendment, so the update method stays in place indefinitely unless Congress amends it later. This structure is very different from past temporary adjustments that expired after a year or two.

Section 1848(t) gave Congress authority to provide short-term adjustments to the conversion factor. Section 1848(t) adjustments were designed to apply for a limited time and do not interfere with the standing update system under Section 1848(d). Congress can continue to apply temporary bumps through Section 1848(t) while the permanent formula under Section 1848(d) operates in the background every year. No amendments to Section 1848(t) are needed for the new Section 1848(d) to work.

The reconciliation proposal embeds the update language for “2026 and each subsequent year,” directly into Section 1848(d) without any qualifying language that would limit its duration. That means there is no “cliff” where the policy would automatically expire or revert to old law. There is no need for Congress to reauthorize it later unless they want to change it, which is no different from any standing law.

## **SSA Statute Redline**

### **(d) Conversion factors**

#### **(1) Establishment**

##### **(A) In general**

The conversion factor for each year shall be the conversion factor established under this subsection for the previous year (or, in the case of 1992, specified in subparagraph (B)) adjusted by the update (established under paragraph (3)) for the year involved (for years before 2001) and, for years beginning with 2001 ~~and ending with 2025~~, multiplied by the update (established under paragraph (4) or a subsequent paragraph) for the year involved. ~~There shall be two separate conversion factors for each year beginning with 2026, one for items and services furnished by a qualifying APM participant (as defined in section 1395l(z)(2) of this title) (referred to in this subsection as the "qualifying APM conversion factor") and the other for other items and services (referred to in this subsection as the "nonqualifying APM conversion factor"), equal to the respective conversion factor for the previous year (or, in the case of 2026, equal to the single conversion factor for 2025) multiplied by the update established under paragraph (20) for such respective conversion factor for such year.~~

##### **(B) Special provision for 1992**

For purposes of subparagraph (A), the conversion factor specified in this subparagraph is a conversion factor (determined by the Secretary) which, if this section were to apply

during 1991 using such conversion factor, would result in the same aggregate amount of payments under this part for physicians' services as the estimated aggregate amount of the payments under this part for such services in 1991.

(C) Special rules for 1998

Except as provided in subparagraph (D), the single conversion factor for 1998 under this subsection shall be the conversion factor for primary care services for 1997, increased by the Secretary's estimate of the weighted average of the three separate updates that would otherwise occur were it not for the enactment of chapter 1 of subtitle F of title IV of the Balanced Budget Act of 1997.

(D) Special rules for anesthesia services

The separate conversion factor for anesthesia services for a year shall be equal to 46 percent of the single conversion factor ~~(or, beginning with 2026, applicable conversion factor)~~ established for other physicians' services, except as adjusted for changes in work, practice expense, or malpractice relative value units.

(E) Publication and dissemination of information

The Secretary shall-

- (i) cause to have published in the Federal Register not later than November 1 of each year (beginning with 2000) the conversion factor which will apply to physicians' services for the succeeding year, the update determined under paragraph (4) for such succeeding year, and the allowed expenditures under such paragraph for such succeeding year; and
- (ii) make available to the Medicare Payment Advisory Commission and the public by March 1 of each year (beginning with 2000) an estimate of the sustainable growth rate and of the conversion factor which will apply to physicians' services for the succeeding year and data used in making such estimate.

**(20) Update for 2026 and subsequent years.— The update to the single conversion factor established in paragraph (1)(A)—**

~~For 2026 and each subsequent year, the update to the qualifying APM conversion factor established under paragraph (1)(A) is 0.75 percent, and the update to the nonqualifying APM conversion factor established under such paragraph is 0.25 percent.~~

(A) for 2026 is 75 percent of the Secretary's estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year, and

(B) for 2027 and each subsequent year is 10 percent of the Secretary's estimate of the percentage increase in the MEI for the year.

Section 1848(d) – Conversion Factors - Permanent Update Structure	Section 1848(t) (t) - Supporting physicians and other professionals in adjusting to Medicare payment changes during 2021 through 2024 (Temporary Adjustments "Patches")
<p>(18) Update for 2016 through 2019 The update to the single conversion factor established in paragraph (1)(C)—</p> <p>(A) for 2016 and each subsequent year through 2018 shall be 0.5 percent; and</p> <p>(B) for 2019 shall be 0.25 percent.</p>	<p>(1) In general</p> <p>In order to support physicians and other professionals in adjusting to changes in payment for physicians' services during 2021, 2022, 2023, and 2024, the Secretary shall increase fee schedules under subsection (b) that establish payment amounts for-</p>
<p>(19) Update for 2020 through 2025 The update to the single conversion factor established in paragraph (1)(C) for 2020 and each subsequent year through 2025 shall be 0.0 percent.</p>	<p>(A) such services furnished on or after January 1, 2021, and before January 1, 2022, by 3.75 percent;</p>
<p><del>(20) Update for 2026 and subsequent years. For 2026 and each subsequent year, the update to the qualifying APM conversion factor established under paragraph (1)(A) is 0.75 percent, and the update to the nonqualifying APM conversion factor established under such paragraph is 0.25 percent.</del></p> <p><u>(A) for 2026 is 75 percent of the Secretary's estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year, and</u></p> <p><u>(B) for 2027 and each subsequent year is 10 percent of the Secretary's estimate of the percentage increase in the MEI for the year.</u></p>	<p>(B) such services furnished on or after January 1, 2022, and before January 1, 2023, by 3.0 percent;</p>
	<p>(C) such services furnished on or after January 1, 2023, and before January 1, 2024, by 2.5 percent;</p>
	<p>(D) such services furnished on or after January 1, 2024, and before March 9, 2024, by 1.25 percent; and</p>
	<p>(E) such services furnished on or after March 9, 2024, and before January 1, 2025, by 2.93 percent.</p>