CMS Finalizes Calendar Year 2026 Medicare Physician Fee Schedule

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On October 31, 2025, the Centers for Medicare & Medicaid Services (CMS) published the calendar year (CY) 2026 Physician Fee Schedule Final Rule, which takes effect January 1, 2026. The rule updates Medicare Part B payment policies under the Physician Fee Schedule, introduces changes to quality and payment-model programs, and reflects a broader focus on efficiency, transparency and shifting modalities of care. For CY 2026, CMS will use two separate conversion factors: one for practitioners who are Qualifying Participants (QPs) in Advanced Alternative Payment Models (APMs) and another for non-QPs The final conversion factor for QPs is approximately $33.57, representing a 3.77% increase over the CY 2025 conversion factor; and the non-QP CF is approximately $33.40, representing a 3.26% increase. The final rule also includes an efficiency adjustment of -2.5% for non-time-based services, reflecting CMS's view that certain services have become more efficient over time and thus their relative value requires adjustment.

For providers who offer telehealth services, CMS has streamlined the process for adding services to the Medicare Telehealth Services List, eliminating the prior "provisional" versus "permanent" distinction and reducing review steps for whether a service furnished via interactive, two-way audio-video qualifies. In addition, the frequency limitations that previously applied to subsequent inpatient visits, nursing facility visits and critical care consultations delivered by telehealth have been removed. CMS has also finalized rules allowing for direct supervision via real-time audio-video (but not audio-only) for most services that previously required the supervising physician to be physically present. Further, FQHCs and rural health clinics will be permitted to bill for telehealth services through 2026.

The Final Rule also updates several policies affecting drugs and biological products covered under Medicare Part B. CMS

maintained the existing refund requirements for discarded amounts of certain single-dose or single-use drugs, and adopted clarifications to how manufacturers should report pricing and service-fee information when calculating average sales price. CMS also confirmed that, beginning in 2026, prices for drugs subject to a "Maximum Fair Price" will be reflected in Medicare's payment calculations. In addition, CMS finalized operational updates to the Medicare Prescription Drug Inflation Rebate Program aimed at strengthening price-inflation guardrails and improving data accuracy for future rebate determinations.

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