



MAVERICK'S MINUTE

The Proposed 2027 Physician Fee Schedule: Digital Health Care Provisions

July 2026

CMS is exploring additional ways to pay for tech-enabled care in this year's annual proposed payment rule for physicians that participate in Medicare.

Overview

WHAT: CMS issued the [Calendar Year \(CY\) 2027 Physician Fee Schedule \(PFS\) Proposed Rule](#) on July 14, 2026, the precursor to the annual update of physician reimbursement rates that will be effective in 2027. In addition to asking for stakeholder feedback on the proposed payment rates, CMS included several Requests for Information (RFIs) relevant to digital health care, including questions related to remote monitoring services, software-based medical services, AI-enabled care, and interoperability. Fact sheet [here](#).

IN BRIEF: The main digital health and AI proposals in the PFS proposed rule are:

- Limiting payments for remote patient monitoring and remote therapeutic monitoring;
- Creating a pathway for Medicare reimbursement for software-based lab services;
- Reducing duplicative lab tests and images by incentivizing interoperability policies;
- Updating the MIPS Program to incentivize clinicians' use of digital and AI technology;
- Integrating AI into primary care services;
- Asking stakeholders to suggest alternatives to the CPT Coding payment system that better supports preventive care. This is part of a longstanding criticism by HHS leaders that the current CPT Coding system does not support tech-enabled care.

WHEN: CMS published the rule on July 14, 2026. Comments are due September 14, 2026, with most policies proposed to take effect January 1, 2027.

Highlights

- **CMS is proposing to ban the use of contractors for Remote Patient Monitoring (RPM) and Remote Therapeutic Monitoring (RTM).** One of the more dramatic policy shifts in the proposed rule is the proposal to allow payment only for those RPM/RTM services that are delivered by physician practice employees, effectively banning the use of contractors to deliver monitoring services. The direct employment requirement is not only a change from policies that have been in place since 2019, but it is also in direct contrast to the idea behind the CMMI ACCESS Model – which pays digital health companies, like remote patient monitoring companies, to coordinate with referring providers for tech-enabled care. CMS is also suggesting it would promulgate policies that would reduce who could receive and who could deliver RPM/RTM services, in addition to lowering the rate of reimbursement for them.

- The proposals are in response to two reports from the HHS Office of the Inspector General (OIG) about how outsourced, unmonitored RPM/RTM services can lead to fraud, waste, and abuse ([here](#), [here](#)).
- **CMS is creating a pathway for Medicare reimbursement for software-based lab services.** The agency is [proposing](#) to make a clear distinction from lab tests performed by CLIA-certified labs and paid by according to the Clinical Laboratory Fee Schedule (CLFS) from algorithmic analysis of the data that can be paid under the Physician Fee Schedule according to pricing set by local Medicare Administrative Contractors.
 - **CMS also issued a Request for Information (RFI) about how to discourage duplicative lab tests and imaging by incentivizing interoperability policy adoption.** CMS issued an [RFI](#) asking if Medicare payment and interoperability policies could help reduce unnecessary duplicative laboratory and imaging services.
- **CMS is updating the Merit-based Incentive Payment System (MIPS) to incentivize clinician use of digital and AI technology.**
 - CMS is [proposing](#) to modify the existing Electronic Prior Authorization (ePA) quality measure that requires providers to attest to at least one ePA request submitted via the Prior Authorization API -- to be an optional bonus measure for CY 2027, before making it mandatory starting in CY 2028. CMS also proposed adding a similar measure for prescription drug ePA. These measures are intended to be an incentive for physicians to utilize the Prior Authorization APIs that health plans must implement by January 1, 2027, to streamline the process of requesting coverage approval from a patient's health insurance coverage before they receive services.
 - The agency issued an RFI on a proposed two-year transition to FHIR-based Digital Quality Measures (dQMs) to explore how best to encourage clinicians to automate their quality inputs and data extractions.
 - CMS proposes [adding](#) a new MIPS Improvement Activity under the new "Advancing Health and Wellness" subcategory titled "Clinician Use of Artificial Intelligence (AI) to Improve Patient Care." The new activity would encourage MIPS-eligible clinicians to use AI in their clinical and operational workflows. CMS provided examples of the types of activity it anticipates incentivizing the use of AI tools under the new MIPS Improvement Activity:
 - Summarizing medical literature for clinical decision-making,
 - Assisting with documentation and responses to patient questions, and
 - Managing population health.
 - Under the Patient Safety and Practice Assessment subcategory, CMS is considering [incorporating](#) AI-enabled clinical decision support (CDS) tools and "standardized treatment protocols to manage workflow on the care team to meet patient needs."
- **CMS included an [RFI](#) asking about how to encourage the adoption of new AI technologies.** The agency is particularly interested in the applications of AI in primary care and whether AI can assist with Annual Wellness Visits (AWVs).
- **CMS is exploring alternatives to the CPT® coding system and the AMA-dominated process that dictates physician payment policy.** In the proposed PFS, the agency reviews the history of CPT Coding system that was introduced by the AMA in 1966. CMS notes that HIPAA, a statute passed in 1996, made CPT Codes the nationally required medical data code sets for physician services. CMS posits that this decades-long system fails to focus on prevention and lifestyle modifications. The agency asks a series of questions about its theory and requests suggestions for an alternative to the payment model. This is aligned with Medicare Director and HHS Chief Counsel Chris Klomp's [criticism](#) of the CPT system for failing to support or value modern technology.



Maverick's Perspective

As Maverick continually reports, HHS is actively executing a massive structural and financial shift to support, fund, and incentivize artificial intelligence and digital health integration across the American healthcare system. The CY 2027 PFS Proposed Rule is just more evidence that the agency is leveraging every available tool – even an annual update on physician payment rates – to accelerate technology adoption. The proposed rule's multiple RFIs suggest that CMS is actively exploring how to change Medicare's current coding and reimbursement infrastructure to better support AI and tech-enabled care. Most stakeholders in the health care system will be impacted – directly or indirectly – by the final decisions about the proposals here. At the time of this writing, interested parties have seven weeks to draft their thoughtful responses to the many questions posed in the proposed PFS – a major opportunity to shape the future of payment for medical services in the United States.