

Memorandum

Date: September 14, 2026

To: Mike Zarski, JD
American Association of Hip and Knee Surgeons

From: Patrick McMahon
Michael Beins

Subject: 2027 Medicare Physician Fee Schedule Conversion Factor
Budget Neutral Alternative

SUMMARY

Dobson DaVanzo & Associates, LLC (Dobson | DaVanzo) was engaged by the American Association of Hip and Knee Surgeons (AAHKS) to calculate an alternative CY 2027 Conversion Factor (CF) to maintain budget neutrality while also maintaining the 2026 Relative Value Units (RVUs) for two services, CPT 27130 and CPT 22447, under the Medicare Physician Fee Schedule (PFS). We calculated an alternative CY 2027 CF of \$33.1241 would be necessary to maintain budget neutrality, representing a reduction of \$0.0452 from the proposed CF of \$33.1693.

BACKGROUND

For CY 2026, both in the non-facility and facility settings, the total RVUs for CPTs 27130 and 27447 were 34.79 and 34.71, respectively.¹ In the July 16, 2026, Notice of Proposed Rulemaking (NPRM), including related files, CMS proposed reduced RVUs for CPTs 27130 and 27447 of 28.18 and 28.08, respectively, in the facility setting; RVUs in the non-facility setting were identified as “NA.”² Additionally, CMS proposed a CY 2027 CF of \$33.1693, a reduction from the CY 2026 CF of \$33.5675.

¹ 2026 National Physician Fee Schedule Relative Value File October Release. See <https://www.cms.gov/medicare/payment/fee-schedules/physician/pfs-relative-value-files>.

² Addendum B – Relative Value Units and Related Information Used in CY 2027 Proposed Rule. See <https://www.cms.gov/medicare/payment/fee-schedules/physician/federal-regulation-notice/cms-1848-p> and <https://www.cms.gov/files/zip/cy-2027-pfs-proposed-rule-addenda-updated-07-21-2026.zip>.

ANALYSIS AND RESULTS

We calculated the alternative CY 2027 Conversion Factor (CF) necessary to maintain budget neutrality while also maintaining the 2026 Relative Value Units (RVUs) for CPT 27130 and CPT 22447 in the following three steps:

1. Calculate Total Medicare Payments under the Physician Fee Schedule (PFS) Using Data from the 2027 PFS NPRM;
2. Calculate Total RVUs Under the PFS Using Utilization Data from the 2027 and 2026 RVUs for the Two Study CPTs; and
3. Calculate an Alternative 2027 CF Necessary to Maintain 2026 RVUs for the Study CPTs and to Maintain Budget Neutrality for 2027 Payments Made Under the Medicare Physician Fee Schedule

The detailed methodological process and results are provided below.

1. Calculate Total Medicare Payments under the Physician Fee Schedule (PFS) Using Data from the 2027 PFS NPRM

Using NPRM data, we calculated total projected CY 2027 Medicare PFS payments in three steps. First, we multiplied CY 2027 NPRM utilization for each CPT/HCPCS code by the corresponding RVUs in CY 2027 NPRM Addendum B. We then multiplied the resulting total RVUs by the proposed CY 2027 CF.

For utilization, we used “CY 2027 PFS Proposed Rule 2025 Utilization Data Crosswalked to 2027,” which included a total of 992,762,732.05 services, 647,496,094.84 non-facility services, and 345,266,637.21 facility services. We next mapped CPTs/HCPCSs to RVUs in the 2027 NPRM Addendum B. We assigned zero as the number of services for those services in which CPTs/HCPCSs did not map to Addendum B or mapped to RVUs listed as “NA”. These excluded services totaled 2,014,025 services, or 0.2% of the total services. 204,472 of these services were non-facility services, comprising 0.0% of non-facility services, while 1,809,554 facility services, or 0.5%, of facility services, were excluded.

Using our identified services, we calculated total RVUs by multiplying services in the “CY 2027 PFS Proposed Rule 2025 Utilization Data Crosswalked to 2027” by assigned RVUs. With these data, we calculated a total of 2,646,095,033.03 RVUs: 1,745,891,834.64 non-facility RVUs and 900,203,198.39 facility RVUs.

Using these RVUs, we calculated total Medicare payments under the PFS using data from the 2027 PFS NPRM of \$87,769,119,979. This amount is calculated by multiplying 2,646,095,033.03 RVUs by the proposed CY 2027 CF of \$33.1693.

2. Calculate Total RVUs Under the PFS Using Data from the 2027 utilization and 2026 RVUs for the Two Study CPTs

Data from the “CY 2027 PFS Proposed Rule 2025 Utilization Data Crosswalked to 2027” document indicate that CMS modeled 282.03 non-facility services and 203,358.74 facility services for CPT/HCPCS 27130. For CPT/HCPCS 27447, CMS modeled 550.88 non-facility and 337,243.53 services. Applying 2026 RVUs, which were identical for non-facility and facility settings, we calculated a total of 18,809,506 RVUs. The total RVU calculation was derived by taking the 203,641 services for CPT/HCPCS 27130 multiplied by 34.79 RVUs per service plus 337,794 services for CPT/HCPCS 27447 multiplied by 34.71 RVUs per service.

Using RVUs in the 2027 NPRM Addendum B, we calculated 5,730,649 RVUs for CPT/HCPCS 27130 and 9,469,798 RVUs for CPT/HCPCS 27447 for a combined total of 15,200,448 RVUs. For CPT/HCPCS 27130, the identified 282.03 non-facility services for CY 2027 were multiplied by 0 RVUs due to the exclusion criteria implemented in Step 1 and 203,358.74 facility services were multiplied by 28.18 RVUs. For CPT/HCPCS 27447, 550.88 non-facility services for CY 2027 were multiplied by 0 RVUs because Addendum B identified the RVU as “NA” and 337,243.53 facility services were multiplied by 28.08 RVUs.

Applying the projected CY 2027 utilization for the two CPT/HCPCS codes, the difference between the CY 2026 and CY 2027 RVUs totaled 3,609,059 RVUs. This difference consisted of 28,933 non-facility RVUs and 3,580,126 facility RVUs.

3. Calculate an Alternative 2027 CF Necessary to Maintain 2026 RVUs for the Study CPTs and to Maintain Budget Neutrality for 2027 Payments Made Under the Medicare Physician Fee Schedule

To calculate an alternative 2027 CF to maintain budget neutrality, we calculated 2,649,704,092 alternative RVUs by adding the 3,609,059 difference in RVUs calculated in Step 2 to the 2,646,095,033 RVUs calculated in Step 1. We divided the total calculated payments of \$87,769,119,979 in Step 1 by our 2,649,704,092 alternative RVUs to yield an alternative CF of \$33.1241. We subtracted the proposed CY 2027 CF of \$33.1693 from the alternative CF of CF of \$33.1241, with a resulting difference of -\$0.0452.