Society of Hospital Medicine
Empowering hospitalists.
Transforming patient care.

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April 6, 2026

Dear CMS Staff,

The Society of Hospital Medicine (SHM), representing the nation's more than 50,000 hospitalists, is writing to **urge you to reconsider the facility Practice Expense (PE) cuts finalized in the 2026 Physician Fee Schedule rule and reopen the policy in the CY 2027 Physician Fee Schedule proposed rule**. These cuts have already had a dramatic effect on the sustainability and stability of hospital medicine groups, particularly groups that operate independently from their hospital or health systems. While we appreciate CMS's commitment to modernizing payment methodology, this cut is imposing disproportionate and unjustified financial harm on hospital medicine — a specialty that, by its very nature, delivers care exclusively in the facility setting.

Hospitalists care for a disproportionately high share of Medicare's most vulnerable patients: elderly patients with multiple comorbidities, patients admitted through emergency departments, and those requiring observation or critical care services. Because the hospital is their practice setting, this reduction to facility PE is a direct and unavoidable cut to everything hospitalists bill.

SHM previously extrapolated from CMS' impact table estimates that hospitalists would face an approximately 7% reduction in total Medicare reimbursement due to the facility PE cut. This has proven to be accurate, as reported to SHM by hospital medicine groups around the country, from their experiences over the past three months. The cuts are harming all hospital medicine groups, regardless of their employment structure. However, the consequences for independent hospital medicine groups are most catastrophic.

Facing these cuts, independent groups are making decisions now that will have both short- and long-term consequences for the healthcare system. Independent groups account for approximately one-third to one-half of the hospital medicine groups nationwide. They run with extraordinarily tight margins and are unable to cut administrative and overhead costs at enough magnitude to absorb these cuts. Instead, they are being forced to make challenging decisions that will degrade their competitiveness and efficiency and, likely, will negatively affect patient care. Strategies groups are using or considering include:

- Hiring freezes or reductions on necessary administrative positions that support patient care;

- Limiting educational and leadership development opportunities, including cuts to Continuing Medical Education (CME) funding;
- Cutting health and benefit plans;
- Curtailing recruitment and marketing expenses, making ever more difficult to fully staff programs and remain competitive in the marketplace;
- Salary freezes and salary reductions for physicians; and
- Hiring freezes or staffing reductions for physicians.

Another strategy considered is to increase the target expectations for patient encounters—see more patients in the day to offset the cuts. Physicians will have less time to spend with patients, and this will have predictable outcomes: patient care will suffer and physician burnout will increase.

These strategies, among numerous other initiatives, undermine the foundation of independent hospital medicine groups' nationally recognized clinical care, quality, organizational processes, culture, recruitment/retention, agility, and sustainability. In short, they are endangered by this policy.

- **These cuts are accelerating the demise of independent physician practices**. Contrary to the stated goals of the policy, independent hospital medicine groups are now considering whether they can remain solvent. For many, the answer is increasingly no, and direct employment by the hospital system may be the only answer.
- **These cuts are accelerating consolidation**. Unable to absorb the burden of the cuts, smaller independent practices are now considering whether to merge with larger organizations, such as staffing management companies or health systems.
- **These cuts are hindering and possibly harming patient care**. By restricting necessary practice expenses, such as administrative support, CMS is reducing the effectiveness and efficiency of these groups. Burning out physicians faster will result in worse care for patients.

The consequences of these cuts have been enormously detrimental to independent hospitalist group practices and are ultimately harming patient care. We urge the agency to reconsider the policy. CMS should consider, minimally, exempting facility E&M codes from the policy to help bolster the essential care that hospitalists provide.

Much of the work of hospital medicine is cognitive care – most hospitalists bill only Evaluation & Management (E&M) codes. This involves spending time with patients understanding their conditions and managing their care, connecting with families and caregivers, coordinating care between specialties in the hospital, and facilitating transitions of care within and out of the hospital. Hospitalists are the vital connective tissue that ensures patients get the best possible care in the hospital.

We would be happy to connect CMS with hospital medicine group leaders to better understand how this policy is harming their group practice, particularly independent practices. If you have

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any questions or require further information, please contact Josh Boswell at jboswell@hospitalmedicine.org. Thank you for your time and attention to this urgent issue.

Sincerely,

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President
Society of Hospital Medicine