

February 7, 2025

Lindsey Baldwin  
Director  
Division of Practitioner Services - Hospital & Ambulatory Policy Group  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, MD 21244-1850

Subject: High-Cost Disposable Supplies

Dear Ms. Baldwin,

On behalf of the Current Procedural Terminology (CPT) Editorial Panel and the American Medical Association (AMA)/Specialty Society RVS Update Committee (RUC), we urge the Centers for Medicare & Medicaid Services (CMS) to address the escalating issue of high-cost disposable supplies within the Medicare physician payment system.

For two decades, **the RUC has strongly recommended that CMS separately identify and pay for high-cost disposable supplies (i.e., priced more than \$500) using appropriate Healthcare Common Procedure Coding System (HCPCS) supply codes.** CMS has been reluctant to implement this recommendation. In the most recent Final Rule (CMS-1807-F), CMS stated that it is “aware of the issues with the current practice expense (PE) methodology caused by very expensive supply and equipment items, and this is a subject that we may consider for future rulemaking alongside other updates to the PE methodology.”

The CY 2025 Medicare Physician Payment Schedule includes 85 medical supply items currently embedded in codes with a purchase price of more than \$500. These high-cost medical supplies represent \$1.32 billion dollars in direct costs for the 2025 Medicare Physician Payment Schedule and 19 percent of all direct practice expense medical supply costs in the non-facility setting. We contend that the outsized impact that high-cost disposable supplies have within the current practice expense relative value unit (PE RVU) methodology must be addressed immediately as the influx of new technology and high-cost supplies continues. **This has become a pressing issue for physician practices and a potential impediment to our patients who could benefit from access to these new technologies.** For example, there are 12 CPT codes where the total non-facility payment does not cover the purchase price of the high-cost supply input. There are another eight codes where the PE payment alone does not cover the high-cost supply. We are extremely concerned about the increasing impact on Medicare beneficiaries including impeding access to new technology and innovative care if payment does not cover invoice cost. *Please see the attached analysis of high-cost supplies over \$500.*

The payment accuracy concerns not only involve a concern that practices be compensated fully for the cost of the supply. In other instances, the supply item may be inaccurately priced as CMS does not update these prices frequently. Additionally, the current PE methodology not only accounts for a large amount of direct practice expense for high-cost supplies but also allocates an anomalously large amount of indirect practice expense into the PE RVU for the procedure codes that include these supplies. This methodology derives code-level indirect practice expense in part from code-level direct practice expense inputs, including high-cost disposable supplies. **When CPT codes include a high-cost disposable supply, a larger portion of indirect practice expense is allocated to the subset of practices performing the service, which is subsidized by the broader specialty and all other physician and qualified healthcare professionals.**

Importantly, as required by law, it is CMS' responsibility to ensure the accurate pricing of the high-cost supply items. Accurate pricing of the 85 high-cost supplies is critical and should be based on a transparent process, where items are annually reviewed and updated. Under the current payment methodology, these supplies are priced at one point in time and then bundled within the overall physician payment for this service, without further review. High-cost disposable medical supplies that reflect new technology may experience pricing changes within the first six months to one year after a wider release into the market. **We strongly recommend and encourage CMS to review and re-price medical supplies, priced above \$500, on an annual basis.**

Moreover, CMS has excluded cast and splint supplies from the practice expense database for the CPT codes for fracture management and cast/strapping application procedures since 2000. These supplies can be separately billed using HCPCS codes Q4001 through Q4051. Efficiencies could potentially be realized if the high-cost supplies were pulled out of the physician payment schedule and pricing was negotiated.

We appreciate your attention to resolving the high-cost disposable supply issue and ensuring payment and pricing accuracy in the Medicare physician payment system. If you have any questions regarding this letter, please contact Sherry Smith at [Sherry.Smith@ama-assn.org](mailto:Sherry.Smith@ama-assn.org).

Sincerely,



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Ezequiel Silva III, MD  
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Enclosure

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