



2025 MPFS Updates and Their Effect on Pathology Billing

The proposed 2025 Medicare Physician Fee Schedule (MPFS) introduces significant changes that impact [pathology billing](#), continuing a trend of declining reimbursement rates. Pathology practices face a projected 2.4% reduction in payments compared to 2024, culminating in a cumulative 7% decrease since 2021. This reduction stems from the expiration of temporary relief measures and a lower conversion factor. The new schedule also includes adjustments to the Quality Payment Program (QPP) and the introduction of additional CPT codes. This blog systematically examines these changes and their implications, providing strategies for adaptation.

2025 MPFS Updates on Pathology Billing

The proposed 2025 [Medicare Physician Fee Schedule \(MPFS\)](#) introduces several key changes that will significantly impact pathology billing. These include:

1. Overall Payment Reduction

Pathology services under Medicare will face a 2.4% reduction in payments compared to 2024. This continues a downward trend, with cumulative reimbursement cuts of approximately 7% since 2021. The reduced rates come at a time when operational costs, including salaries, equipment, and materials, have risen sharply, further straining financial viability for many practices.

2. Conversion Factor Decrease

The conversion factor, a core component in calculating Medicare payments, has been reduced by 2.8%. This is primarily due to the expiration of temporary congressional relief measures. As a result, practices are left with lower baseline reimbursements for commonly billed services, directly impacting revenue projections and budget planning.

3. Expiration of Congressional Relief Packages

Temporary relief efforts had previously mitigated steeper cuts, offering critical financial respite to pathology practices. With their expiration, practices must now explore new methods of managing tighter budgets while maintaining quality and compliance standards.

4. Adjustments to Quality Payment Program (QPP)

The QPP has introduced new reporting pathways, such as MIPS Value Pathways (MVPs), aimed at simplifying participation. However, for pathologists, these changes bring new administrative complexities and require adaptation to shifting performance thresholds and

scoring methodologies. Additionally, capped scoring opportunities for certain measures demand practices be strategic in their approach to maximize incentives.

5. Clinical Labor Pricing Updates

2025 marks the final year of phased inflationary updates for non-physician clinical labor costs. While these adjustments provide incremental financial relief, they are insufficient to counteract the broader reimbursement cuts driven by budget neutrality offsets.

Impact

The 2025 MPFS changes have far-reaching implications for pathology practices:

1. Financial Strain on Practices

The 2.4% payment reduction compounds ongoing financial pressures, particularly for smaller practices or those already operating on tight margins. Rising operational costs, paired with stagnant reimbursement rates, may force some practices to downsize or limit service offerings to stay financially viable.

2. Declining Reimbursement for Common Services

Frequently billed codes, such as CPT 88305 (Tissue exam by pathologist) and CPT 88307 (Complex tissue exam), are seeing 3% reductions globally, eroding revenue streams for high-volume services. These reductions disproportionately affect practices reliant on routine diagnostic services.

3. Positive Adjustments for Specialized Services

Certain specialized services, such as skeletal muscle analysis (CPT 88355) and immunohistochemistry tests (CPT 88341 and CPT 88342), have seen modest increases of 6–16%. Practices offering these services may leverage these adjustments to partially offset revenue losses from other areas.

4. Complexity in QPP Participation

New QPP requirements demand additional administrative efforts, especially for smaller practices. MVP pathways may introduce opportunities for streamlined participation, but adapting to these new systems requires strategic planning, staff training, and effective resource allocation.

Strategies

To mitigate the impact of the 2025 MPFS changes, pathology practices can adopt the following strategies:

1. Stay Informed

It is critical for pathology practices to remain updated on evolving Medicare policies. This includes attending webinars, reviewing advocacy newsletters, and participating in industry forums. Staying informed allows practices to anticipate changes, make timely adjustments to

workflows, and stay compliant with new regulations. Utilizing professional resources from organizations like the College of American Pathologists (CAP) ensures that practices have access to expert analyses and advocacy tools tailored to their needs.

2. Engage in Advocacy

Proactively engaging in advocacy efforts is essential to shaping favorable policies.

Pathologists should support legislative measures like:

- **The Strengthening Medicare for Patients and Providers Act (H.R.2474):** Advocates for annual inflationary adjustments to Medicare payments.
- **The Provider Stability Reimbursement Act (H.R.6371):** Proposes to increase budget neutrality thresholds and limit annual changes to the conversion factor.

Joining advocacy groups or professional associations like CAP allows practices to collectively lobby for sustainable reimbursement models, amplifying their voice in policy discussions.

3. Implement Cost-Management Measures

Efficient cost management is crucial in mitigating revenue shortfalls. Practices should focus on:

- **Streamlining Operations:** Automate administrative tasks and optimize staff workflows to reduce overhead costs.
- **Technology Integration:** Use advanced billing software to improve accuracy and efficiency in claims processing.
- **Supplier Negotiations:** Renegotiate contracts with vendors and suppliers to secure better pricing on essential materials and equipment.

Practices can also explore partnerships or resource-sharing arrangements to lower fixed costs without compromising service quality.

4. Explore Alternative Payment Models (APMs)

Participating in APMs provides an opportunity to align with Medicare's value-based care initiatives. These models reward practices for delivering efficient, high-quality care, creating an alternative revenue stream. Practices can evaluate their eligibility for programs like Accountable Care Organizations (ACOs) and implement data-driven strategies to meet APM performance metrics. Early adoption of APMs positions practices for long-term sustainability as Medicare continues its push toward value-based care.

5. Invest in Staff Training and Education

The administrative and clinical demands of the 2025 MPFS updates require well-trained staff who understand the nuances of billing, reporting, and compliance. Regular training sessions can empower teams to handle new QPP requirements, implement updated [CPT codes](#) accurately, and adapt to evolving documentation standards.

Outsourcing Pathology Billing Services

Outsourcing to specialized providers like 24/7 Medical Billing Services offers a practical solution to many challenges introduced by the MPFS changes. A [professional pathology billing company](#) ensures accurate coding, optimized reimbursement, and compliance with evolving Medicare regulations. Outsourcing reduces administrative burdens, allowing practices to focus on patient care while safeguarding revenue. Additionally, professional billing providers can help identify underutilized billing opportunities, streamline claims processing, and minimize audit risks. This comprehensive support enables practices to navigate the complexities of the 2025 MPFS with confidence.