MEDICAL OFFICE FORCE LLC

Regulatory & Strategy Division

THE 2027 MEDICARE COMPLIANCE & MSO BLUEPRINT

Navigating the CMS CY 2027 Physician Fee Schedule Direct-Employment Mandate for RPM & RTM

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Target Audience: Managing Partners, Healthcare CEOs, Practice Administrators, Health-Tech Executives, and Health Law Counsel

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1. No Legal or Billing Advice: This whitepaper is provided by Medical Office Force LLC solely for educational, informational, and strategic planning purposes and does not constitute formal legal, tax, accounting, or medical billing advice. The regulatory environment surrounding Medicare reimbursement — specifically the Centers for Medicare & Medicaid Services (CMS) Physician Fee Schedule (PFS) Proposed Rules — is highly dynamic and subject to administrative modification prior to Final Rule publication.

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4. Regulatory Status: References to the CY 2027 Physician Fee Schedule reflect proposed regulations under CMS-1848-P (published July 14–16, 2026). Final regulatory requirements taking effect January 1, 2027, may differ based on the forthcoming Final Rule.

Executive Summary

On July 14–16, 2026, the Centers for Medicare & Medicaid Services (CMS) released the CY 2027 Physician Fee Schedule (PFS) Proposed Rule (CMS-1848-P). Prompted by Department of Health and Human Services Office of Inspector General (HHS-OIG) enforcement reports regarding oversight deficiencies and rapid growth in remote monitoring, CMS proposes to prohibit third-party outsourced vendor clinical staffing for Remote Patient Monitoring (RPM: CPT 99453, 99454, 99457, 99458) and Remote Therapeutic Monitoring (RTM).

It is possible that, effective January 1, 2027, all clinical personnel performing billable remote care management and data review must be direct W-2 employees of the billing physician or practice. This whitepaper, authored by Medical Office Force LLC, outlines the compliant Management Services Organization (MSO) co-employment framework, financial models, citations, and contractual structures necessary to ensure regulatory compliance without sacrificing practice profitability or clinical continuity.

Section 1: Statutory Authority & Legal Boundaries

1.1 The “Incident-To” Direct Employment Mandate (42 CFR § 410.26)

Under proposed updates to Medicare “incident-to” rules, remote care management time can only be billed under a practitioner’s NPI if the clinical worker is a direct common-law W-2 employee of the billing practice’s Tax Identification Number (TIN).

Prohibited: Independent 1099 contractors, third-party vendor call centers, or leased vendor-employed clinical staff billing under the practice's NPI.

Permitted: Care managers performing services remotely, provided they are on the practice's direct W-2 payroll (managed administratively via Medical Office Force LLC) operating under general physician supervision.

Reimbursement & Payroll Flow

Fund Flow Structure

- Medicare Reimbursement (100%) is paid directly into the Practice Account.
- W-2 Care Manager(s) are paid via direct payroll under the Practice's own EIN (administered through a payroll platform such as Gusto).
- Medical Office Force LLC is paid a Fixed MSO Administrative Fee covering HR support, technology/platform, and management — separately from and after the practice's own payroll obligations.

1.2 Anti-Kickback Statute (AKS) & Fair Market Value (FMV) Boundaries

To satisfy 42 U.S.C. § 1320a-7b(b) (Anti-Kickback Statute) and 42 U.S.C. § 1395nn (Stark Law), all service agreements with Medical Office Force LLC adhere to strict structural safe harbors:

- No Percentage-Based Revenue Splits: Medical Office Force LLC charges no fees based on a percentage of Medicare collections or billing volume.
- No “Billable-Only” Pricing: Charging $0 for non-billable patient months constitutes illegal remuneration (providing free hardware and software to induce Medicare billings). MSO fees remain fixed monthly per-device/SaaS fees.
- Direct Bank Account Flow: 100% of Medicare reimbursements must be deposited directly into the practice’s primary bank account prior to paying vendor software or administrative invoices.

Section 2: The 100-Patient Financial Model & Quality Impact

Empanelling a cohort of 100 high-risk patients (e.g., Stage 2 Hypertension, uncontrolled Type 2 Diabetes) establishes the operational equilibrium point where practice profit margin is maximized relative to administrative oversight.

2.1 Annual Financial Breakdown (100 Active RPM Patients)

Transaction Component	Monthly Calculation	Annual Financial Impact
Gross Medicare Reimbursement	100 pts × $110.00/mo (CPT 99454 Device + 99457 Management)	$132,000.00
W-2 Care Manager Payroll Expense	33.3 hrs/mo × $35.00/hr + 15% employer payroll tax	($16,080.00)
SaaS & Device Fee (Medical Office Force LLC)	100 active devices × $25.00 / device / month	($30,000.00)
Administrative Base Fee (Medical Office Force LLC)	Fixed Monthly Management & Compliance Support Fee	($12,000.00)
NET PRACTICE PROFIT — Retained in Practice Account		**+$73,920.00**

2.2 Merit-Based Incentive Payment System (MIPS) Score Protection

Abandoning remote monitoring in 2027 exposes medical practices to severe value-based payment penalties under MIPS:

- Direct Quality Metric Acceleration: Continuous RPM vitals auto-populate clinical data required for MIPS Metric #236 (Controlling High Blood Pressure) and MIPS Metric #001 (Diabetes HbA1c Poor Control).
- Penalty Avoidance: Failing to meet the MIPS performance threshold triggers a negative payment adjustment of up to -9% across all Medicare Part B professional fee claims billed by the practice for the entire calendar year.

3. The Financial Evidence: 100-Patient RPM Financial Model

Below is the monthly financial model for an independent primary care practice maintaining 100 active RPM patients under the 2027 compliant MSO/Co-Employment structure:

Line Item	Revenue / Cost Calculation	Monthly Total	Annual Total
Gross Medicare Reimbursement	100 pts × $110.00/mo (CPT 99454 Device + CPT 99457 Care Mgmt)	$11,000.00	$132,000.00
W-2 Care Manager Payroll	33.3 hrs/mo × $35.00/hr + 15% employer payroll tax	($1,340.00)	($16,080.00)
MSO Device & Software Fee	100 active devices × $25.00 / device / month	($2,500.00)	($30,000.00)
MSO Base Administrative Fee	Fixed Monthly Management & Compliance Support Fee	($1,000.00)	($12,000.00)
NET PRACTICE PROFIT — Retained directly in practice bank account		**+$6,160.00**	**+$73,920.00**

Section 3: Compliant MSO Master Agreement (Statutory Clauses)

The following clauses represent required contractual protections for execution between Medical Practices and Medical Office Force LLC:

Article III: Employment Status and Clinical Control

3.1 Common-Law Employer Status. Practice shall at all times remain the primary common-law employer of record for all Care Managers furnishing remote monitoring services, issuing a Form W-2 under Practice's Tax Identification Number (TIN). Practice physicians maintain sole authority over clinical care plans, initiating visits, alert thresholds, and monthly sign-offs.

3.2 Payroll Agent Authorization. Medical Office Force LLC shall serve strictly as a non-clinical technology provider and administrative payroll processing agent pursuant to IRS Form 8655 (Reporting Agent Authorization). Medical Office Force LLC shall exercise no authority over medical decision-making or clinical protocols.

Article IV: Financial Arrangement and Fair Market Value

4.1 Remittance of Reimbursement. 100% of all reimbursements derived from RPM billings submitted under Practice's NPI shall be deposited directly into Practice's bank account.

4.2 Fixed Compensation. In consideration for technology software, hardware, and administrative support, Practice shall pay Medical Office Force LLC a Fixed Monthly Fair Market Value Fee as set forth in Exhibit A. Compensation paid to Medical Office Force LLC is not contingent upon Medicare claim approval, nor shall it be calculated as a percentage of practice collections or billing volume.

Section 4: Audit Readiness & Counsel Checklist

Healthcare legal counsel and practice administrators must verify the following items prior to January 1, 2027:

☐ W-2 Verification: Verify annual Form W-2 filings confirm care manager wages are reported under the Practice EIN.

☐ IRS Form 8655 Execution: Executed Reporting Agent Authorization on file for Medical Office Force LLC payroll administration.

☐ Initiating Visit Template: EHR documentation configured to verify a face-to-face E/M or AWV occurs prior to RPM enrollment.

☐ Fixed SaaS Invoice Review: Confirm software/hardware invoices from Medical Office Force LLC are billed as flat monthly fees rather than percentage-of-billing splits.

☐ EHR Time Logging: Real-time audit logs capturing clinical staff timestamps for monthly treatment management minutes (CPT 99457/99458).

References & Citations

Centers for Medicare & Medicaid Services (CMS). Calendar Year (CY) 2027 Medicare Physician Fee Schedule Proposed Rule (CMS-1848-P). Published July 14–16, 2026.

U.S. Department of Health and Human Services, Office of Inspector General (HHS-OIG). Semiannual Report to Congress & Remote Patient Monitoring Oversight Review (Report OEI-02-23-00260).

Electronic Code of Federal Regulations (eCFR). 42 CFR § 410.26 - Services and supplies incident to a physician's professional service: Conditions.

United States Code. Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); Limitation on Certain Physician Referrals (Stark Law), 42 U.S.C. § 1395nn.

Internal Revenue Service (IRS). Form 8655: Reporting Agent Authorization for Payroll Processing Agents.

DOCUMENT END

For inquiries regarding this blueprint or MSO co-employment structuring, contact Medical Office Force LLC Regulatory & Strategy Division.

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