

### MEDICARE PHYSICIAN REIMBURSEMENT

#### *Impending Sequester, PAYGO, and Conversion Factor Cuts*

##### **REQUEST**

The Alliance of Specialty Medicine urges members of Congress to **extend critical financial relief to physicians facing the looming threat of Medicare spending sequestration and conversion factor reimbursement cuts**. We appreciate that Congress provided a temporary increase to mitigate reimbursement cuts resulting from a budget neutrality adjustment to the calendar year (CY) 2021 Medicare Physician Fee Schedule (MPFS) conversion factor and acted to temporarily suspend the 2% Medicare sequestration cuts through December 2021. On top of the conversion factor reductions and the existing 2% across-the-board spending cut scheduled to take effect in January, however, the *American Rescue Plan Act* triggered additional mandatory PAYGO sequestration requirements expected in early 2022. Without congressional action, these combined policies could result in specialty physicians facing a reimbursement cut on Medicare's payment responsibility as high as 9.75% in addition to any other budget neutrality reductions that might be finalized for the CY 2022 MPFS conversion factor. The Alliance strongly opposes these arbitrary across-the-board Medicare cuts and asks that Congress take immediate steps to prevent these reductions to the Medicare program from taking effect.

##### **BACKGROUND**

Changes to documentation, coding, and payment for office and outpatient evaluation and management (E/M) services that the Centers for Medicare & Medicaid Services (CMS) implemented as a part of its CY 2021 MPFS final rule increased Medicare spending by approximately \$10.2 billion. A statutory budget neutrality rule requiring any increases in Medicare payments to be offset by corresponding decreases resulted in an adjustment to the conversion factor of -10.2%. The *Consolidated Appropriations Act, 2021* reduced the impact of the cut by providing a 3.75% increase in MPFS payments for CY 2021, which is set to expire on January 1, 2022, and delaying other payment policies that contributed to the steep reduction. The final outcome for Medicare physicians was a 3.3% reduction in CY 2021 MPFS payments.

In April 2021, legislation was signed into law to extend the moratorium on the 2% Medicare sequester through the end of CY 2021. Beginning on January 1, 2022, the 2% Medicare payment cut will be reinstated. In addition, the Congressional Budget Office (CBO) determined that the final passage of the latest COVID relief package, the *American Rescue Plan Act*, would trigger the statutory Pay-As-You-Go Act of 2010 (PAYGO) and mandate Medicare spending reductions of an estimated 4%, or \$36 billion, next year. Therefore, in addition to the 2% sequestration cut, providers will see an additional 4% sequestration cut to Medicare reimbursement rates in January.

Our provider community continues to experience severe pressures due to the drastic decreases in non-COVID-related and non-emergency care, while also incurring large expenses to ensure that they can safely accommodate patients in need of care. Relief from sequestration and the impact of E/M changes, including the application of the updated values to global surgery codes, is critical for providers struggling financially to focus on maintaining care for their patients throughout the coronavirus pandemic instead of their bottom-line. The Alliance [commented](#) on the CY 2022 rule addressing concerns about these issues.