

MEDICARE PHYSICIAN REIMBURSEMENT

Act This Year to Prevent Impending Cuts and Provide Stable Payment

REQUEST

The Alliance of Specialty Medicine (the “Alliance”) calls on Congress to **prevent steep Medicare cuts that will begin on January 1, 2024**, and **explore permanent solutions to stabilize Medicare physician payments and improve Medicare physician performance programs beyond calendar year (CY) 2024**. The Alliance urges you to **cosponsor H.R. 2474, the *Strengthening Medicare for Patients and Providers Act*** which would provide an annual inflation update equal to the Medicare Economic Index (MEI) for Medicare physician payments and **co-sign the letter to House leadership** being circulated by Reps. **Ami Bera**, MD (D-CA) and **Larry Bucshon**, MD (R-IN) emphasizing that Congress must urgently work together to establish a stable payment mechanism that appropriately pays for health outcomes and ensures that we keep our communities healthy.

BACKGROUND

Last year, Congress mitigated steep Medicare physician payment cuts for CY 2023 and CY 2024 by providing updates of 2.5% and 1.25%, respectively, and delaying reductions due to the “Pay-As-You-Go” (PAYGO) sequester as part of a year-end omnibus spending bill. However, even with these and previous years’ efforts, the Medicare Physician Fee Schedule (MPFS) conversion factor has still experienced cuts over the last 4 years.

Medicare Physician Fee Schedule Flaws

While the Alliance appreciates congressional efforts to mitigate cuts in Medicare payments to physicians, these nominal conversion factor updates have not addressed the underlying problems with the MPFS. CMS has proposed a 2024 conversion factor of \$32.74. In 2016, the MPFS conversion factor was almost \$36.00. Budget neutrality requirements¹ and the lack of an inflation-based payment update continue to drive these cuts.

Impending Cuts for CY 2024

Physicians are bracing for yet another steep reduction to the conversion factor - approximately 3.4% - due to the:

- ongoing impact of the E/M service increases;
- implementation of a “complexity” add-on code;² and
- a 1.25% update provided by Congress, which is lower than the 2.5% update that Congress provided for CY 2023.

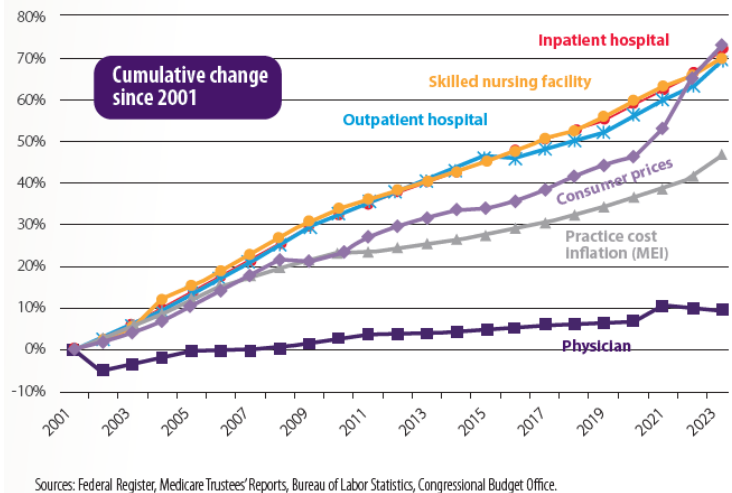
Further, physicians continue to see reductions due to the Medicare sequester (2%) and face the threat of 4% PAYGO sequester cuts.

¹ Medicare’s budget neutrality requirement requires the Centers for Medicare & Medicaid Services (CMS) to implement across-the-board cuts if changes to the Medicare physician fee schedule cause expenditures to exceed \$20 million annually. To a large extent, the current ongoing cuts stem from increases to office visit evaluation and management (E/M) service codes, prompting a massive redistribution of funds across the MPFS.

² CMS finalized a new complexity add-on code in the CY 2021 MPFS, G2211, which would have redistributed approximately \$3 billion across the MPFS. Congress delayed implementation of this new payment code until at least CY 2024 to help reduce the cost of a short-term fix to the CY 2021 conversion factor reduction. In this rule, CMS proposes refinements that reduce the redistributive effects, but still result in a steep cut to the conversion factor to maintain budget neutrality.

RATIONALE

As shown in the following chart, prior to the enactment of the *Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)*, physician practice costs were on the rise, with the price of medical supplies, equipment, and clinical and administrative labor at substantial levels, as demonstrated by the Consumer Price Index (CPI) and MEI.³ MACRA established physician payment updates without a yearly automatic inflation adjustment unlike other Medicare providers that receive annual payment updates based on an inflation proxy, such as the CPI. Given the lack of an automatic payment update, when adjusted for inflation in practice costs, Medicare physician payments declined 26% from 2001 to 2023. While Congress anticipated that physicians would receive value-based incentives and differential payment updates based on their participation in either the Merit-based Incentive Payment System (MIPS) or the Alternative Payment Model (APM) tracks, many factors have led to insufficient payment updates, particularly when compared to the effort and resources physicians must devote to participate.



The [Medicare Trustees](#)⁴ and other policy experts have raised concerns about the lack of an inflation measure in the MPFS. This downward financial pressure on physicians and their practices has forced many to sell their practices to health systems and private equity groups and enter into employment arrangements with these entities, further consolidating health care systems and increasing health care costs to taxpayers and beneficiaries, according to [MedPAC](#).⁵

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Barriers to Participating in Value-based Care Programs

Many specialty physicians also face tremendous barriers under MACRA's Quality Payment Program (QPP), including the MIPS and Advanced APMs. Both tracks of the QPP have been implemented in a manner that has limited meaningful participation among many specialists. For example, MIPS remains unnecessarily complex, and program rules change from year to year. The program also continues to rely on siloed assessments of quality and cost rather than a more comprehensive approach to value. Moreover, MIPS policies disincentivize investments in developing and using more meaningful specialty-specific quality measures and qualified clinical data registries. Finally, APMs remain largely focused on primary care and population health and fail to provide a meaningful pathway for specialists. Given these challenges, many specialists cannot engage in MACRA's value-focused programs, including the inability to qualify for incentives offered through the APM track of the QPP, such as higher payment updates in future years. The Alliance urges Congress to work with CMS to ensure that the QPP offers specialists more clinically relevant participation pathways.

For more detailed recommendations on improving Medicare physician reimbursement and value-based performance programs, please see the Alliance's statement⁶ submitted for the June 22, 2023, hearing titled "MACRA Checkup: Assessing Implementation and Challenges that Remain for Patients and Doctors."

CONTACTS

To cosponsor **H.R. 2474** or **sign the letter to House leadership**, please contact Harsh.Patel@mail.house.gov (Rep. Bera) or Tyler.Mortier@mail.house.gov (Rep. Bucshon).

³ <https://www.ama-assn.org/system/files/medicare-updates-inflation-chart-cumulative.pdf>

⁴ <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf>

⁵ https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar20_medpac_ch15_sec.pdf

⁶ <https://specialtydocs.org/wp-content/uploads/2022/11/ASM-MACRA-Statement-for-the-Record-House-EC-OI-Subc-06.22.2023.pdf>