



Fix the Medicare flaw that forces across-the-board cuts

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What's the news: A coalition of physician members of Congress introduced legislation that would reform the budget-neutrality policies applied to the Medicare physician payment schedule.

This bill, largely based on work that emerged from the AMA Medicare Reform Workgroup, offers practical policy improvements that provide some needed stability to the physician payment system by assuring that the Centers for Medicare & Medicaid Services' (CMS) payment policy is based on reality—not projections.

Co-chairs of the GOP Doctors Caucus introduced the Provider Reimbursement Stability Act, H.R. 6371, in the House of Representatives. The bill—sent to the House Energy and Commerce Committee's Subcommittee on Health—would reform the Medicare physician payment schedule budget-neutrality policies by raising the threshold that triggers a budget neutrality adjustment from \$20 million to \$53 million and increase it every five years by the cumulative increase in the Medicare Economic Index (MEI).

The \$20 million threshold was established in 1992 and has not been updated since. Raising the budget-neutrality threshold would allow for greater flexibility in determining pricing adjustments for services without triggering across-the-board cuts.

The legislation also would require:

- CMS to reconcile inaccurate utilization projections based on actual claims and prospectively revise the conversion factor accordingly.
- The direct inputs for practice expense relative value unit—for example, clinical wages, prices of medical supplies and equipment prices—to be reviewed concurrently and no less often than every five years.



- CMS to limit positive or negative budget neutrality adjustments to the conversion factor to 2.5% each year.

??????“Without immediate relief from Congress, I worry about the viability of our health care system, and that health care for tens of millions of patients—including seniors and people with disabilities—is in jeopardy,” AMA Immediate Past President Jesse M. Ehrenfeld, MD, MPH, wrote in a Leadership Viewpoints column in February.

Earlier, the AMA and more than 120 national medical organizations and state medical societies lauded the leadership (PDF) embodied in the initial proposal, which was set forth by the co-chairs of the GOP Doctors Caucus: Reps. Greg Murphy (R-N.C.), Brad Wenstrup (R-Ohio), and Michael Burgess (R-Texas).

The AMA is leading the charge to reform the Medicare payment system.

Why it's important: As one of few types of Medicare providers without a payment update tied to inflation, physicians have seen their inflation-adjusted payments drop 29% (PDF) from 2001 to 2024.

One big problem is CMS sometimes misses the mark in its assumptions, overestimating how much various health care services will be used when doing code revaluations in its budget-neutrality estimates.

Notably, when transitional care management services were added to the Medicare physician pay schedule in 2013, CMS estimated that 5.6 million new claims would be submitted for these services. They were off by more than 5.3 million claims in the first year and even after three years the number of transitional care management claims was still shy of 1 million.

As a result of that overestimation, Medicare physician payments were cut by more than \$5.2 billion from 2013 to 2021. And, the physician organizations' letter notes, "once these redistributions are made through the conversion factor they are not added back, even when actual utilization is far lower than projected."

The bottom line in such cases, the AMA and others wrote, "is not budget neutrality, but rather permanent and unjustifiable Medicare cuts to physician payments across the board."

Physicians say these payment cuts will ultimately lead to reduced patient access to care.

“By 2035, it’s projected that there’s going to be over 120,000 physician shortage in American and I don’t see that being readily fixed unless we fix the Medicare budget problem,” New Jersey family medicine physician Nicole Henry-Dindial, MD, said.



South Dakota internist Robert L. Allison, MD, is among the practicing physicians and AMA members who have taken time to share their firsthand perspectives on the impact of unsustainable Medicare physician payment in interviews with the AMA.

About 70% of the patients that Dr. Allison has seen for the past 20 years are Medicare patients. He said the continued cuts could force practicing physicians to shut their doors for good or stop accepting new Medicare patients—moves that would be devastating.

“We want to take care of our patients. But at the point where you can’t ... provide for your staff, you can’t provide for yourself, it’s any other business like anywhere else in the country. If you can’t keep the lights on, then you’re done. Then you stop being a physician and you do something else,” he said.

Find out how you can take part in the fight to reform Medicare on behalf of your patients and practices at the AMA's Fix Medicare Now website.

Learn more: The AMA has declared Medicare physician payment reform to be an urgent advocacy and legislative priority.

While the AMA is working relentlessly to build understanding on Capitol Hill about the unsustainable path the Medicare payment system is on, preventing further cuts means getting to the root causes of what’s wrong with Medicare physician payment.

That is why the AMA created the Medicare Basics series, which provides an in-depth look at important aspects of the Medicare physician payment system. With these six straightforward explainers, policymakers and physician advocates can learn about key elements of the payment system and why they are in need of reform.

—*Senior News Editor Kevin B. O’Reilly wrote an earlier version of this article.*

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