



Medicare physician pay has plummeted since 2001. Find out why.

JUN 17, 2024

Tanya Albert Henry

Contributing News Writer

What's the news: Medicare physician payment—often called Medicare reimbursement—must be tied to an inflation index called the Medicare Economic Index (MEI). As part of its campaign to fix the unsustainable Medicare pay system, the AMA has outlined in a quick, easily navigable fashion why this payment fix needs to happen now.

The AMA's two-page explainer on the Medicare Economic Index (PDF) outlines how it incorporates these two categories reflecting the resources used in medical practices:

- **Physician practice costs**, which includes components for nonphysician compensation such as fringe benefits, medical supplies, professional liability insurance and other expenses. Each component is assigned a weight and various proxy indices are used to estimate price changes.
- **Physician compensation**, which reflects increases in general earnings and is currently proxied by changes in the wages and benefits of professional occupations in the U.S. from the Bureau of Labor Statistics. The change in the combined practice costs and physician compensation components of the MEI is then reduced by the 10-year average of economywide, multifactor productivity.

The big problem is that since 1992, the role of MEI in shaping Medicare physician payment has diminished dramatically, first under the sustainable-growth rate (SGR) and then under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015. Given those changes, it comes as no surprise that when adjusted for inflation, Medicare physician payment has effectively declined (PDF) 29% from 2001 to 2024.



Jason Goldman, MD, a Florida internist, 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.

Dr. Goldman said Congress needs “to fix Medicare now, not just because physicians need to be paid fairly, but because the patients need their physicians. And if they do not fix Medicare, we will not have a health care system.”

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

Follow the fight for Medicare reform

Stay up to date on how the AMA is fighting to reform the Medicare payment system for physicians—delivered to your inbox.

Subscribe Now





Why it's important: Experts widely acknowledge that chronically inadequate Medicare payment rates will eventually take a toll on older adults' access to high-quality care.

This was recognized again recently in the 2024 Medicare Trustees Report, which noted that "certain features of current law may result in some challenges for the Medicare program." The payment system that MACRA put in place avoided significant short-range physician payments that the SGR system created; however, there are still payment concerns that future legislation needs to address.

"Physician payment update amounts ... do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases," the report says. "These rate updates could be an issue in years when levels of inflations are high and would be problematic when the cumulative gap between the price updates and physician costs becomes large."

The trustees wrote that "absent a change in the delivery system or level of update by subsequent legislation, the Trustees expect access to Medicare-participating physicians to become a significant issue in the long term."

Emergency physician John Corker, MD, said in an interview with the AMA that "over about the last quarter-century, doctors' offices and physician practices have been dying a slow death by a thousand paper cuts as it pertains to Medicare reimbursement."

He noted that no other aspect of health care has experienced the pay cuts that physicians have experienced, noting that physician Medicare payment is the only one not tied to annual inflation adjustments. Hospitals and other health professionals see a Medicare rate change annually tied to inflation.

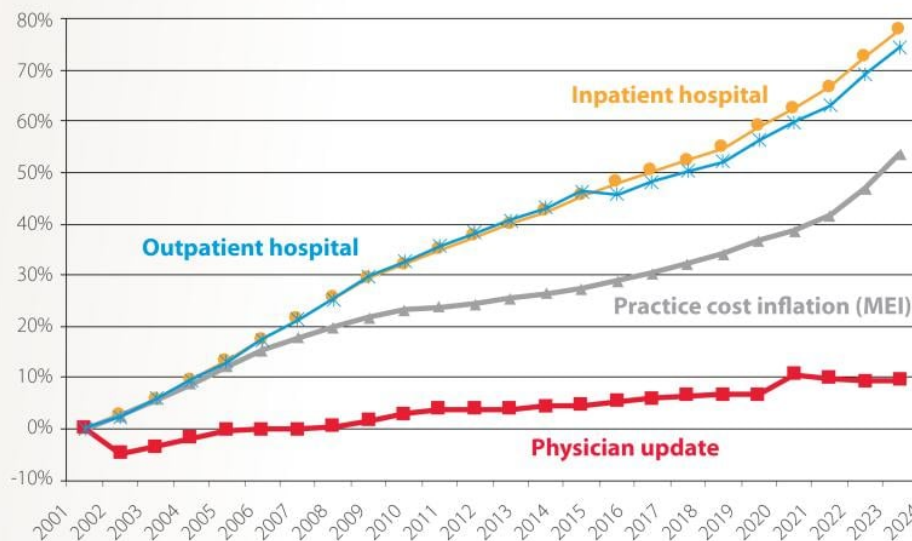
"Doctors are forced to make difficult decisions about what days they can be open, what staff that they can afford to pay, and as a result what services they can provide for their patients. And I think at the end of the day, it all comes back to access. If doctors can't keep their doors open and they can't have appropriate staff because of dwindling reimbursement rates for Medicare, patients can't access services from their doctors," said Dr. Corker, a delegate for the Ohio State Medical Association in the AMA House of Delegates.



Medicare physician payment is NOT keeping up with practice cost inflation.

Medicare updates compared to inflation in practice costs (2001–2024)

Adjusted for inflation in practice costs, Medicare physician payment **declined 29%** from 2001 to 2024.



Sources: Federal Register, Medicare Trustees' Reports, Bureau of Labor Statistics, Congressional Budget Office.
Note: Updates from the Consolidated Appropriations Act of 2024 have been incorporated.

Updated May 2024

We need to fix Medicare physician payment NOW.

A bipartisan group of lawmakers introduced a bill in Congress to tie the Medicare physician payment schedule to MEI. The AMA-supported bill—H.R. 2474, the Strengthening Medicare for Patients and Providers Act—was introduced by California Democratic Reps. Raul Ruiz, MD, and Ami Bera, MD, along with Republicans Larry Bucshon, MD, of Indiana, and Mariannette Miller-Meeks, MD, of Iowa. The legislative effort could put Congress on the path to finally reforming the outdated Medicare payment system.

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.

Visit AMA Advocacy in Action to find out what's at stake in reforming Medicare payment and other advocacy priorities the AMA is actively working on.

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