



Why Medicare's experts see need to tie physician pay to inflation

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What's the news: The influential Medicare Payment Advisory Commission (MedPAC) has recommended that physician payment be tied to the Medicare Economic Index (MEI), but the commission is calling for the payment update to be just 50% of the index.

While the AMA "appreciates MedPAC's acknowledgement that the current Medicare physician payment system is inadequate," the recommended update doesn't go far enough to address Medicare payments to physicians, AMA President Jesse M. Ehrenfeld, MD, MPH, said after the announcement.

"MedPAC's decision recognizes that physician pay is lagging far behind the cost of practicing medicine. Yet, an update tied to 50% of MEI—as MedPAC recommended—will cause physician payment to fall even further behind increases in the cost of providing care. As one of the only Medicare providers without an inflationary payment update, physicians have waited a long time for this change," he said.

A better solution is for Congress to pass the bipartisan Strengthening Medicare for Patients and Providers Act, H.R. 2474, Dr. Ehrenfeld said. The legislation would provide physicians with an annual, permanent inflationary payment update in Medicare tied to the Medicare Economic Index.

"Patients, physicians, and many members of Congress recognize the need to stop the annual cycle of pay cuts and patches and enact permanent Medicare payment updates," he said. "The AMA is ready to offer solid policy proposals to jump-start this reform effort. Tomorrow is not too soon."



Leading the charge to reform Medicare pay is the first pillar of the AMA Recovery Plan for America's Physicians.

The AMA has challenged Congress to work on systemic reforms and make Medicare work better for you and your patients. Our work will continue, fighting tirelessly against future cuts—and against all barriers to patient care.

Why is it important: When adjusted for inflation, Medicare payments to physicians caring for the nation's 65 million older American adults, fell dramatically (PDF) between 2001 and 2024.

The MedPAC recommendation came shortly “after Congress allowed an approximate 2% cut in Medicare payments to become law,” Dr. Ehrenfeld noted. “And it also comes as physicians deal with the cyberattack at Change Healthcare, another financial blow to the survival to private practices. Years of Medicare cuts, COVID-19 and inflation weakened physician practices’ ability to absorb all these shocks.”

Physicians fall into the only group that does not automatically get an annual increase based on the Medicare Economic Index to cover the rising costs of doing business. If physicians got the same adjustments that hospitals and other health professionals are getting, doctors would have seen a 4.6% increase in payment in 2024.

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Passing the Strengthening Medicare for Patients and Providers Act—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—would help Congress finally reform the outdated Medicare payment system so that physicians can continue to provide the nation’s growing senior population with quality care.

“Obviously, a new approach is needed. Decisions made in the next few months will affect the ability of seniors to access quality health care, particularly in rural and underserved areas,” Dr. Ehrenfeld said.

Learn more: The AMA's Medicare Basics series provides an in-depth, straightforward look at key elements of the payment system and why they are in need of reform. That includes an explainer on the Medicare Economic Index.

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.