Key Medicare physician pay reform bill introduced in Congress

APR 12, 2023

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What’s the news: A bill has been introduced in Congress to tie the Medicare physician payment schedule to the Medicare Economic Index, a move that is essential to protecting access to high-quality care for the 65 million older adult Americans covered by Medicare.

By instituting an annual inflation-based update, the legislation would put physicians on equal footing with virtually all other health professionals and organizations paid by Medicare. Physician payment rates have been subject to a six-year payment freeze that will last until 2026 and are seeing 2% across-the-board Medicare pay cuts that started in January.

This Medicare payment policy failure came as physicians had to deal with inflation, COVID-19, burnout and the rising cost of running a practice. When the freeze ends, the statutory update for most physicians will be limited to 0.25% indefinitely, far below even normal rates of inflation.

“This toxic brew threatens health care access for Medicare patients,” said AMA President Jack Resneck Jr., MD. “It’s no coincidence that the bill sponsors are physicians. They know the challenges physicians face. The AMA will work with them so the rest of Congress understands that the status quo threatens access to care in communities across our country.”

The bipartisan 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 The legislative effort could put Congress on the path to finally reforming the outdated Medicare payment system.

Leading the charge to reform Medicare pay is a critical component 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 it’s important: When adjusted for inflation, physician payments have dropped 26% (PDF) from 2001 to 2023, capped off most recently by a 2% payment reduction in 2023. Increasingly thin operating margins disproportionately affect small, independent and rural physician practices, as well as doctors delivering care to patients who are economically marginalized and those from historically marginalized racial and ethnic groups.

“We are deeply worried that many practices will be forced to stop taking new Medicare patients at a time when access to care is already inadequate,” Dr. Resneck said. “Congress often waits until problematic situations become full-fledged crises. Members need to hear from their hometown physicians that we are nearing a crisis. Congress needs to pass this bill stat.

The bill’s introduction comes on the heels of the Medicare Payment Advisory Commission (MedPAC) recommendation that Congress increase 2024 Medicare physician payments above current law by linking the payment update to the Medicare Economic Index. Also, the Medicare Trustees Report issued in late March said lawmakers should “expect access to Medicare-participating physicians to become a significant issue in the long term” unless Congress takes steps to bolster the payment system.

“The trustees, MedPAC and some members of Congress see the long-term threats to Medicare access,” Dr. Resneck said. “For those who have not joined this effort, they should talk to patients and physicians across the country.”

Learn more: The AMA—in collaboration with 120 other physician and health care organizations—has outlined the essential principles (PDF), including an annual inflationary update, that can put the nation’s health care system on sustainable financial ground.

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.