

13.9 billion ways COVID-19 has affected Medicare spending

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Andis Robeznieks

Senior News Writer

What's the news: Despite a strong rebound in the second half of the year, Medicare spending on physician services in 2020 was much lower than expected and significantly lower than in 2019, with declines seen in every state and across every specialty, according to a new AMA report.

Drawing on data from the Centers for Medicare & Medicaid Services (CMS), the AMA Policy Research Perspectives report, “Impacts of the COVID-19 Pandemic on 2020 Medicare Physician Spending,” (PDF) shows that Medicare spending on physician services was 14%, or \$13.9 billion, less than what was expected.

“Physicians experienced a significant and sustained drop in Medicare revenue during the first 10 months of the pandemic,” said AMA President Gerald E. Harmon, MD. “Medical practices that have not buckled under financial strain continue to be stretched clinically, emotionally and fiscally as the pandemic persists.”

Medicare spending on physician services plummeted at the onset of the pandemic, falling as much as 57% below expected spending in April 2020. Despite a strong recovery in May and June, spending on physician services in the fourth quarter of 2020 was still 10% below expected spending for that quarter based on the pre-pandemic trend.

Declines were somewhat offset by the growth in telehealth use. Services delivered via telehealth accounted for 5% (\$4.1 billion) of physician spending in 2020—compared to 0.1% prior to the pandemic. In April, telehealth’s share of Medicare physician spending grew to 16% before falling to 4% in mid-October and rising to 6% in December.

Read more on why telehealth should be a lasting care mode—not a temporary measure.

Why it's important: Medicare spending on physician services totaled \$82.9 billion in 2020, down from \$95 billion in 2019 and below the \$96.9 billion that was anticipated for the year. On top of the decline in Medicare spending on physician services, physicians’ Medicare payments will be slashed almost

10% on Jan. 1 unless Congress acts to stave off three scheduled payment reductions.

“As struggling physician practices face a difficult and precarious road to recovery, now is the time for financial stability in Medicare,” said Dr. Harmon, a family physician in South Carolina. “The AMA is strongly urging Congress to avert the planned payment cuts.”

Telehealth has played an important role in substituting for in-person care during the pandemic, says the report, which provides a detailed breakdown of changes in Medicare physician telehealth spending and use for 2020.

Thirty states have put telemedicine parity laws in place, but outdated Medicare telehealth rules dating back to 1997 will automatically be reinstated once the federal government lifts the COVID-19 national public health emergency. This would jeopardize telehealth access for seniors—especially those who rely on audio-only visits because they don’t have high-speed connections or they struggle with telehealth technology.

The report notes that 18% (\$736 million) of the \$4.1 billion in Medicare telehealth spending in 2020 was delivered by telephone.

Telehealth findings listed in the report include:

- 29% of Medicare fee-for-service enrollees received a telehealth service in the second quarter of 2020, and 10% of enrollees who used physician services during that time received that care exclusively via telehealth.
- Just under half of 2020 telehealth spending was for established-patient office visits.
- The share of mental health services provided via telehealth has been about 50% since the start of the pandemic.
- One-fourth of established-patient office visits were provided by telehealth during the first months of the pandemic, but that fell to around 12% of such visits in the second half of 2020.
- The top users of telehealth were mental health specialties—telehealth services accounted for 31% of Medicare physician spending for psychiatry.
- Telehealth was also a significant mode of service delivery for endocrinology (20% of spending), rheumatology (13%) and primary care (10% for family medicine, 8% for internal medicine).

The recent edition of the biannual AMA Physician Practice Benchmark Survey found that 70.3% of physicians worked in practices that used videoconferencing to provide patient visits in September 2020, compared to just 14.3% in September 2018.

Learn more: The AMA Physicians Grassroots Network issued an action alert calling on physicians to contact their legislators and urge them to support legislation that will stop the scheduled Medicare

cuts.

The AMA supports permanent fixes to originating site and geographic restrictions on telehealth coverage for Medicare patients.

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