

# Why MedPAC's physician pay freeze recommendation is flawed

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**What's the news:** The most recent report to Congress from the Medicare Payment Advisory Commission (MedPAC) has flawed analyses and advice that, if followed, would imperil patient access to high-quality care.

The MedPAC report recommends that Congress allow the freeze in Medicare physician fee payments to continue in 2023 but ignores a host of trailing indicators, none more obvious than the impact of the COVID-19 pandemic on physician practices.

In 2020, there was a \$13.9 billion drop in Medicare physician fee schedule spending (PDF) as patients delayed treatments. Meanwhile, one in five physicians say it is likely they will leave their current practice within two years. Learn more about "medicine's great resignation."

**Why it's important:** "Physicians have been enduring an increasing financial instability of the Medicare physician payment system due to a confluence of fiscal uncertainties related to the COVID-19 pandemic, statutory payment cuts, consistent lack of inflationary updates and significant administrative barriers," AMA Executive Vice President and CEO James L. Madara, MD, wrote to congressional leaders.

"Freezing physician payment is also impossible to reconcile when viewed against the nearly eight percent payment increase the Centers for Medicare & Medicaid Services projects for Medicare Advantage plans in 2023," Dr. Madara added in the letter (PDF).

Medicare physician payment has fallen 20%, adjusted for inflation, since 2001—an average of about 1.1% a year. The cost of running a medical practice increased 39% since 2001, or 1.6% a year. That analysis does not include the recent inflationary spike.

Even when failing to adjust for inflation, the Medicare payment updates to physicians have been far outpaced by increases for others. While Medicare physician pay rose 11% since 2001, payment

updates increased roughly 60% for inpatient and outpatient hospital services, and for skilled nursing facility services. On top of that, a 2021 study published in *JAMA Health Forum* found that it costs an estimated \$12,811 and takes more than 200 hours per physician annually to comply with the Medicare Merit-Based Incentive Payment System.

“A continuing statutory freeze in annual Medicare physician payments is scheduled to last until 2026, when updates resume at a rate of only 0.25% a year indefinitely, well below the rate of medical or consumer price index inflation,” Dr. Madara’s letter says. “Current government data on key elements of the Medicare Economic Index make it clear that, without an inflation-based update, the gap between frozen physician payment rates and rising inflation in medical practice costs will widen considerably.”

“It is urgent that Congress work with the physician community to develop solutions to the systematic problems with the Medicare physician payment system and preserve patient access to care,” Dr. Madara wrote. “At a minimum, Congress must establish a stable, annual Medicare physician payment update that keeps pace with inflation and practice costs and allows for innovation to ensure Medicare patients continue to have access to physician practice-based care.”

**Learn more:** The AMA advocacy team and organized medicine mobilized a grassroots coalition late last year when doctors and medical students inundated Congress with 250,000 emails and more than 8,000 phone calls pressuring lawmakers to stop a scheduled 10% cut in Medicare physician payment rates.

The AMA wants Congress to:

- Establish a reliable Medicare physician payment update. At a minimum, it should keep up with inflation and practice costs while encouraging innovation.
- Develop ways to reduce the administrative and financial burdens of MIPS participation. It also needs to ensure the program’s clinical relevance.

Find out why fixing the Medicare pay system once and for all tops the AMA’s advocacy agenda.