

Becerra sees need to end Medicare physician pay “cliffs”

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What's the news: In a positive sign in the long-term project of overhauling the Medicare physician payment system to make it more sustainable for doctors and the nation, Health and Human Services Secretary Xavier Becerra said he is “definitely interested” in examining the feasibility of such reform.



HHS Secretary Xavier Becerra

"I'm definitely interested, because I remember those 'cliffs' when I was in Congress," Becerra said in a briefing with a group of health reporters, as quoted in *MedPage Today*, in reference to his days as a congressman and the annual ritual of voting to avert mandated Medicare physician pay cuts.

"We always had to deal with those, and you'd never want professionals ... thinking that there's another profession for them down the line because they're just not making ends meet where they are," Becerra said. "So we'd like to be supportive."

The AMA was "deeply appreciative" of Becerra's comments "about the need to address the instability and the continual threat of payment cuts in the Medicare physician payment schedule," says a letter to the HHS secretary (PDF) from James L. Madara, MD, the AMA's executive vice president and CEO.

"We know from our discussions on the Hill that hearing from the secretary of Health and Human Services about the potential for physicians to leave the practice of medicine due to insecurity in Medicare payments making their practice unsustainable has added tremendous credibility to this concern," Dr. Madara wrote.

Why it's important: It took the power of the AMA advocacy team and organized medicine to mobilize a grassroots coalition of state medical associations and national specialty societies that inundated Congress with 250,000 emails and more than 8,000 phone calls last year to help stop a scheduled 10% cut in Medicare physician payment rates.

Despite that win, physicians face a continuing statutory freeze in annual Medicare physician payments that is scheduled to last until 2026. After that, payment updates will resume, but only at a rate of 0.25% a year indefinitely.

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.

Other Medicare payment systems, such as those for hospitals and nursing homes, are increased annually based on inflation, but the physician payment schedule is not. 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 (MIPS).

"Physician payment rates have been further eroded by the manner in which rates are adjusted to meet budget neutrality requirements, as well as Medicare sequestration," Dr. Madara wrote to Becerra. "As you noted in your remarks, the COVID-19 pandemic also has placed enormous stress on medical

practices, with an AMA analysis of Medicare claims for physician services identifying a 14% reduction in 2020 due to COVID-19.”

The AMA is working with national specialty and state medical associations “to determine the best path forward to get the Medicare physician payment system on a more sustainable track,” Dr. Madara’s letter adds. “We have also been working to increase awareness of the problems in the current system among members of Congress to build interest and support for the needed reforms.”

Find out how MedPAC’s physician pay freeze recommendation is flawed.

Learn more: 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. Physicians also are seeking ways to cut the administrative and financial burdens of participation in MIPS.

Read more about the need for Medicare physician payment reform (PDF), and learn why fixing the Medicare pay system once and for all tops the AMA’s advocacy agenda.