

10 principles to fix Medicare's unsustainable physician pay system

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The AMA and 120 state medical and national specialty societies have endorsed a set of 10 principles that should guide Congress as lawmakers ponder a much-needed overhaul to remedy the financial instabilities that are affecting physician practices due to the pandemic, statutory payment cuts, lack of inflationary updates and significant administrative burdens.

Under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015, physicians are in the middle of a six-year payment freeze. Adjusted for inflation in practice costs, Medicare physician payment fell 20% from 2001 to 2021, and without an inflation-based update, the gap between frozen physician payment rates and rising inflation in medical practice costs will widen. The Medicare payment system is on an unsustainable path threatening patient access to physicians.

According to the principles outlined in “Characteristics of a Rational Medicare Physician Payment System” (PDF), Congress should aim for simplicity, relevance, alignment and predictability for physician practices and the Centers for Medicare & Medicaid Services (CMS).

Leading the charge to reform Medicare pay is a core element of the AMA Recovery Plan for America's Physicians. You took care of the nation. It's time for the nation to take care of you. It's time to rebuild. And the AMA is ready.

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.

Specifically, lawmakers should heed the principles below to ensure financial stability and predictability, promote value-based care, and safeguard access to high-quality care for Medicare patients.

Provide financial stability through a baseline positive annual update reflecting inflation in practice costs, and eliminate, replace or revise budget-neutrality requirements to allow for appropriate changes in spending growth.

Recognize fiscal responsibility. Payment models should invest in and recognize physicians' contributions in providing high-value care and the associated savings and quality improvements across all parts of Medicare and the health care system—for example, preventing hospitalizations.

Encourage collaboration, competition and patient choice rather than consolidation through innovation, stability and reduced complexity by eliminating the need for physicians to choose between retirement, selling their practices or suffering continued burnout.

Reward the value of care provided to patients, rather than administrative activities—such as data entry—that may not be relevant to the service being provided or the patient receiving care.

Encourage innovation, so practices and systems can be redesigned and continuously refined to provide high-value care and include historically non-covered services that improve care for all or a specific subset of patients (for example, those with chronic obstructive pulmonary disease or Crohn's disease), as well as for higher-risk and higher-cost populations.

Offer a variety of payment models and incentives tailored to the distinct characteristics of different specialties and practice settings. Participation in new models must be voluntary and continue to be incentivized. A fee-for-service payment model must also remain a financially viable option.

Provide timely, actionable data. Physicians need timely access to analyses of their claims data, so they can identify and reduce avoidable costs. Though Congress took action to give physicians access to their data, they still do not receive timely, actionable feedback on their resource use and attributed costs in Medicare. Physicians should be held accountable only for the costs they control or direct.

Recognize the value of clinical data registries as a tool for improving quality of care, with their outcome measures and prompt feedback on performance.

Advance health equity and reduce disparities. Payment model innovations should be risk-adjusted and recognize physicians' contributions to reducing health disparities, addressing social drivers of care, and tackling health inequities. Physicians need support as they care for historically marginalized, higher risk, hard to reach or sicker populations.

Support practices where they are by recognizing that the high-value care is provided by both small practices and large systems, and in both rural and urban settings.

The AMA will continue to work with the Federation of Medicine to develop detailed solutions to the systematic problems with the Medicare physician payment system and preserve patient access to care. The AMA is building awareness of the problems with the current system with members of Congress to build interest and support for needed reforms.

The AMA sent a letter (PDF) of appreciation to Health and Human Services Secretary Xavier Becerra who recently said that he is “definitely interested” in working with Congress to reform the Medicare physician payment schedule. He is concerned that physicians will leave the practice of medicine and jeopardize patient access to care due to the insecurity in Medicare payments making their practice unsustainable.

Learn about Becerra’s seeing a need to end Medicare physician pay “cliffs.”

Also, the AMA strongly pushed back against recommendations from the Medicare Physician Payment Commission (MedPAC) to keep physician payments flat and will continue to advocate to strengthen the Medicare physician payment system.

Read more about why MedPAC’s physician pay freeze recommendation is flawed.