Across-the-board Medicare physician pay cuts are wrong way forward

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What’s the news: The Centers for Medicare & Medicaid Services (CMS) is touting its proposed 2023 Medicare physician payment schedule as a significant expansion of access to behavioral health services and cancer screening. But while it will take time to carefully and comprehensively analyze the proposal—which numbers more than 2,000 pages—it is already clear that it needs work because it doesn’t address the harsh economic realities of high medical inflation and continuing COVID-19 pandemic concerns.

“It is immediately apparent that the rule not only fails to account for inflation in practice costs and COVID-related challenges to practice sustainability, but also includes a significant and damaging across-the-board reduction in payment rates,” said AMA President Jack Resneck Jr., MD.

“Such a move would create long-term financial instability in the Medicare physician payment system and threaten patient access to Medicare-participating physicians,” added Dr. Resneck, professor and vice chair of the University of California, San Francisco, School of Medicine’s dermatology department. “We will be working with Congress to prevent this harmful outcome.”

Leading the charge to reform Medicare pay is a critical component 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.

Why it’s important: The AMA continues to analyze details in the massive proposal (PDF), but these four instantly came to the fore:
A 0% payment update that fails to account for significant inflation in practice costs—a failure that threatens to destabilize the Medicare physician payment system.

- A reduction of about 4.5% in the Medicare conversion factor, from $34.6062 to $33.0775.
- The adoption of several changes to the evaluation and management (E/M) Current Procedural Terminology (CPT®) codes that are projected to trigger an additional reduction of about 1.5% to the Medicare conversion factor due to statutory budget-neutrality requirements.
- The expiration of a 5% incentive payment physicians can earn for participating in an Advanced Alternative Payment Model (APM) or an exceptional performance bonus they can earn under the Merit-based Incentive Payment System (MIPS).

Earning these bonuses, both created by the Medicare Access and CHIP Reauthorization Act (MACRA), in 2022 will affect payment adjustments in 2024. The CMS proposal does not include estimates for these incentives and bonuses in 2023. The E/M code changes would affect services provided at hospitals, emergency departments, nursing facilities and home visits.

The confluence of these cuts, coupled with the 0% payment update, threatens patient access to Medicare-participating physicians and undermines the sustainability of physician practices.

The AMA will strongly advocate that Congress avert the significant conversion-factor cut and, instead, extend to 2023 the 3% increase that, by law, is set to expire at the end of this year.

**Learn more:** The AMA, in collaboration with 120 other physician and health care organizations, is offering specific recommendations (PDF) to Congress and CMS that will put the nation’s health care system on solid and sustainable financial ground.

The effort “represents our ongoing work to establish a rational Medicare physician payment system that provides financial stability through positive annual payment updates, improves the financial viability of physician practices, and eases administrative burdens,” Dr. Resneck added.

Register now for an AMA Advocacy Insights webinar, set for July 27, on this vision for Medicare physician payment reform.

Discover the 10 principles that policymakers should follow to fix Medicare’s unsustainable physician payment system and find out why Medicare’s trustees agree that system doesn’t have a long-term future.