Principles for Medicare physician payment reform

The way forward: A vision for reform

As the current system is unsustainable, the AMA and the Federation of Medicine have developed a set of principles to guide advocacy efforts on Medicare physician payment reform. “Characteristics of a Rational Medicare Physician Payment System” (PDF) sets forth broad goals for reforming the system. This represents the first stage in medicine’s effort to develop and propose substantial changes to the payment system to improve the financial viability of physician practices and ease its administrative burdens.

A number of state and national societies have endorsed (PDF) these principles as a roadmap to change the system and fight against future Medicare cuts.

The principles: Characteristics of a Rational Medicare Physician Payment System

Simplicity, relevance, alignment and predictability, for physician practices and the Centers for Medicare and Medicaid Services (CMS).

Ensuring financial stability and predictability

- 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 (e.g., 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.

Promoting value-based care

- 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 (e.g., chronic obstructive pulmonary disease, 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.

Safeguarding access to high-quality care

- 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.

AMA Advocacy Insights webinar: Medicare payment principles—A vision for reform

In the AMA Advocacy Insights webinar "Medicare payment principles—A vision for reform," experts discuss the necessity of Medicare to be financially sustainable and responsive to physician needs, and detail the characteristics that should be part of a rational Medicare payment system. Read the full


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Find materials and contact your members of Congress to let them know the Medicare physician payment system needs reform to better meet the needs of patients and physicians.

The AMA fights Medicare cuts

Learn more about how the AMA fights against Medicare cuts, defending practices & access to care.