Addressing Medicare payment problems for physicians with Jack Resneck Jr., MD

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Featured topic and speakers

In today’s AMA Update, AMA President Jack Resneck Jr., MD, a practicing dermatologist and health care policy expert in San Francisco, discusses the latest advocacy efforts on Medicare physician payment reform. AMA Chief Experience Officer Todd Unger hosts.

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View "Characteristics of a Rational Medicare Payment System" (PDF).

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Speaker

- Jack Resneck Jr., MD, president, AMA

Transcript

Unger: Hello and welcome to the AMA Update video and podcast, an ongoing series covering a range of health topics affecting the lives of physicians and patients. Today, we're talking about a very important focus of the AMA Recovery Plan for America’s Physicians, Medicare payment reform. I'm
joined today by AMA President Dr. Jack Resneck Jr., a practicing dermatologist and health care policy expert in San Francisco. I'm Todd Unger, AMA's chief experience officer in Chicago. Dr. Resneck, thanks for joining us again.

**Dr. Resneck:** Thanks for having me back, Todd.

**Unger:** You recently wrote an article for the Colorado Medical Society that articulated so well why we need to fix Medicare payment right now. In it, you explained that the Medicare program is on an unsustainable path that threatens patient access to quality care. How did we get here?

**Dr. Resneck:** Well, Todd, I think this crisis has really been a long time in the making. We've really had what amounts to two decades of stagnant position payment rates, really in the face of rising practice costs at the same time. And it's not just things like rent and labor, the cost of nurses and front desk staff or supplies but it's also been at a time when physicians have been making investments required for new electronic health records and quality reporting and complying with really proliferating administrative burdens, like dealing with insurance headaches, such as prior auth, as we've talked about before.

And now, on top of all of that recent accelerating inflation, we've got the last two and half years of the COVID-19 pandemic, which has really itself been a financial hit to many practices. So my fear is that the combination of physicians who have really been holding together a health care system stretched far too thin these last few years with declining resources to do so is accelerating burnout. And we're seeing some early retirements as well. And this is, at the end of the day, really about getting obstacles out of the way that interfere with what drew us all to medicine in the first place, taking great care of our patients.

**Unger:** Now, the numbers, which I've seen in a chart and we may be able to cut that into this discussion, really back this up and illustrate the need for change. Talk to us a little bit about what that looks like.

**Dr. Resneck:** Yeah, there's this graph I like to show that really illustrates the changes in payment rates for various parts of the Medicare system over the last 20 years. And what you see is lines near the top indicating that hospitals and nursing facilities and other parts of the health care system have seen increases through this 20-year period of about 60% in their payment rates, while physicians are that line all the way at the bottom that is really nearly flat and far below the lines that show the rates of inflation. If you take practice cost inflation into account, Medicare physician payment rates have actually plunged and gone down about 20% from 2001 until 2021.

On top of that history and with inflation these last couple of years at 40-year highs, physicians now face actually another round of not increases but cuts in their payment rates this next January of more than 4% if congress doesn't act. This really undermines the stability of physician practices. And again,
I think it's likely to drive more retirements and harm patient access to care. I'm worried about this especially at a time for Medicare patients when we see more baby boomers aging into Medicare and beginning to need more and more health care.

Unger: It's interesting because, for two years running, I've been able to talk to our head of advocacy, Todd Askew, because it always seems like at the end of the year, there is a scramble to avert sizable payment cuts, which the AMA has helped do very successfully. But just being in that situation year after year is part of I think what you're calling as unsustainable. How do we get to a more stable system that we don't have to reinvent every year?

Dr. Resneck: Well, you're right. Our advocacy team working with our colleagues from states around the country have done an amazing job of preventing some of these large, looming cuts. But we know that that's not sustainable for physician practices into the future. And so we've gotten together with over 120 state and national specialty medical societies and have outlined what I think is a really practical, common-sense approach to Medicare reform.

And the first thing in it, what is just tremendously important, is that physicians just need a predictable automatic positive payment update every year that's just tied to practice cost, just like hospitals get, just like skilled nursing facilities already get and many others already have in place. And those annual payment rate adjustments really should be tied to a measure of inflation, like the one called the Medical Economic Index. The other thing we've got to do is to eliminate or replace something called the "budget neutrality rules." And these basically penalize physicians for changes beyond their control. Every time something else drives a new expenditure in Medicare, they actually come back and reduce physician payments to make up for it.

And basically, these cuts are driven at the same time that physicians get no credit for cost savings that they generate through quality improvement in other parts of the health care system. So if physicians do a better job of taking care of patients with chronic disease, they stay out of the hospital, saves Medicare a ton of money on what's called the "Part A" side, physicians don't get credit in these budget neutralities for this on the Part B side. So there are a lot of other elements to this but we're happy to have so many medical societies unified across the country and sending a clear message to Congress about exactly what it's going to take to make Medicare sustainable.

Unger: And you can find more details on what we're calling a "rational approach to Medicare reform" on the AMA site. There's a guide prepared that you can read. If you go to ama-assn.org/recovery, you'll be able to take a look at that. Dr. Resneck, what other factors need to be considered when creating payment models that work long-term? Why is it so important that physicians be a part of that development?

Dr. Resneck: Well, Todd, the Medicare program and really, commercial health insurers as well, have tried in the last couple of decades to put a focus on rewards and penalties, sort of carrots and sticks
related to quality measures. And we, as physicians, we actually want to constantly move the needle on quality as well. We support having rewards for practices that are doing the hard work to measure quality and to find ways to advance quality care.

But there are some problems with the current system, what I call the measurement and quality ecosystem. It is highly burdensome. Just the act of having to gather the data and report it, both to Medicare and in some cases to commercial insurers that have a totally different set of measures, each and every one of them, is really burdensome for practices. And physicians are facing hundreds of measures out there, and many of them just don't feel relevant to doctors or to our patients.

Another problem is that physicians often get the data on their performance sometimes years after the care has occurred rather than having actionable data right in front of them in their electronic health records when they’re taking care of patients. So we really think we have to reinvent this whole quality measurement ecosystem. Another thing that we believe in is having a diversity of payment models that work for physicians in different specialties and different communities around the country and in very different small or large practice models. Part of that means continuing to have a viable fee-for-service model.

Alternative payment models are not going to be the best thing for every practice. And having a range of alternatives that, when we do have alternative payment models, invest upfront in practice transformation and innovation so the practices can do the things they need to do. One of the challenges we face is that the Medicare program hasn't yet approved most of the APMs, most of the alternative payment models that have been designed by physicians who know what it takes to improve care on the front lines and that can really remove barriers to the innovation that we need to address the multiple chronic disease epidemics that our nation faces.

**Unger:** And one of those realities is related to health equity. And you've said that health equity needs to be part of this solution. Tell us more about how that works and why it's so important to account for that.

**Dr. Resneck:** This is an issue that's really important to me, to physicians nationwide and to the American Medical Association. If you don't start with a health equity lens when you're thinking about payment reform, you're going to be doomed not to succeed in fixing the appalling inequities that we all see in health outcomes in our nation. But physicians need support as they care for historically marginalized populations and really work to address the social determinants of health and other upstream drivers of some of those health outcomes that we see.

Quality and value measures, for example, need to be risk adjusted and really reflect the ongoing contributions of physicians who are working to dismantle health disparities. And so ensuring that payment reform and innovations really equip physicians to reduce inequities rather than penalizing them for that work is going to improve our health care system. And it's going to advance the health of
the nation.

**Unger:** So this is obviously so important, a really heavy lift, how do we ultimately get to a place where Medicare payment is on a more sustainable path?

**Dr. Resneck:** The Medicare system did not really get to this level of a mess overnight. And so we're not going to be able to secure the massive, badly needed overhaul of Medicare physician payment in a day. But we're quite determined to do it. And we have been laying the groundwork. And that's really the good news.

And I think we can get there through some real single-minded determination and collective effort of physicians, the AMA and our counterparts in multiple state and national medical specialty societies around the country. I think, working together, we can really get the Medicare payment system back on a sustainable path. And again, this is all about ensuring that our patients continue to have access to care and to the quality care that they deserve.

**Unger:** So when everyone out there hears us talk about speaking with a unified voice, there could not be a more important time to have that happen. Dr. Resneck, thanks so much for being here today. That wraps up today's episode. As I mentioned before, you can find out a lot more details on the AMA Recovery Plan for America's Physicians on the AMA site. Again, that's ama-assn.org/recovery. You'll find out our efforts on Medicare payment reform and many others. We'll be back soon with another AMA Update. Find all our videos and podcasts at ama-assn.org/podcasts. Thanks so much for joining us today. And please take care.

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