Physicians’ unified message to Congress: Reform Medicare pay now

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More than 120 state medical associations and national specialty societies have joined the AMA in urging Congress to institute Medicare payment reforms in order to maintain patients’ access to care.

Reduced Medicare physician payment rates are being outweighed by the rising cost of running a practice plus the administrative and financial burdens associated with participating in Medicare. This is encouraging market consolidation and threatens access to health care services, physicians said in a letter to congressional leaders.

“The vast majority of physicians practicing in the United State continue to be deeply alarmed about the mounting financial instability of the Medicare physician payment system,” says the letter (PDF) signed by the AMA and the other physician organizations.

“This instability is being driven by a confluence of fiscal uncertainties physician practices face related to statutory payment cuts, perennial lack of inflationary updates, significant administrative barriers, and the cumulative impact of the pandemic,” the letter adds. “The Medicare payment system remains on an unsustainable path threatening beneficiaries’ access to physicians.”

This point was echoed by AMA President Jack Resneck Jr., MD, in a recent episode of “AMA Update.”

“This is all about ensuring that our patients continue to have access to care and to the quality care that they deserve,” said Dr. Resneck, a professor and vice chair of the University of California, San Francisco, School of Medicine’s dermatology department.

That access, however, is threatened by rising practice costs and two decades of stagnant Medicare payment rates for physicians.

“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,” Dr. Resneck added. “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.”
Leading the charge to reform Medicare pay is a critical component of the AMA Recovery Plan for America’s Physicians.

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.

Bipartisan bill offers relief

While payment rates for hospitals, nursing homes and the like are adjusted for inflation, rates for physicians are not, as shown in the AMA-developed chart below.
Cumulative change of Medicare updates compared to inflation

Sources: Federal Register, Medicare Trustees’ Reports and U.S. Bureau of Labor Statistics

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Physicians are facing a “portfolio of cuts” totaling 4.42%. But that’s just the beginning. Coupled with high inflation, physicians’ Medicare payment update for 2023 is 0%. Also, a 5% bonus for successfully participating in an alternative payment model (APM) is expiring and a $500 million bonus pool for Merit-based Incentive Payment System high performers is going away as well.

The AMA strongly supports H.R. 8800, the “Supporting Medicare Providers Act of 2022” (PDF). The bipartisan legislation aimed at mitigating these rate cuts was introduced by physician legislators Reps. Ami Bera, MD, a Democrat from California, and Larry Bucshon, MD, an Indiana Republican.

The bill’s text states that this action is needed to:

- Ensure financial stability and predictability in the Medicare physician payment system.
- Promote and reward value-based care innovation.
- Safeguard timely access to high-quality care by advancing health equity and reducing disparities.

The AMA agrees.

“The AMA appreciates your ongoing commitment to support Medicare beneficiaries and the physicians who serve them by providing greater stability within the Medicare Physician Fee Schedule for calendar year 2023, via a 4.42% payment adjustment for all services,” AMA Executive Vice President and CEO James L. Madara, MD, wrote in a letter to Drs. Bera and Bucshon.

“This is a vital step forward to avoid significant disruptions to care for Medicare beneficiaries and provide a lifeline for struggling physician practices,” Dr. Madara’s letter (PDF) says. “Your legislation would also provide an opportunity for renewed discussions regarding long-term and systemic Medicare physician payment reforms in the new year.”

The AMA encourages doctors to visit PhysiciansGrassrootsNetwork.org and use the website to encourage their representatives to co-sponsor H.R. 8800.

**Adjustment for inflation needed**

In the letter signed by the AMA and the state and national medical organizations, physicians called upon Congress to:

- Provide relief from the scheduled 4.42 percent budget-neutrality cut in Medicare physician fee schedule payments.
- End the statutory annual freeze and provide a Medicare Economic Index inflation update for the coming year.

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• Prevent a scheduled 5% payment cut for APMs and the corresponding impossible-to-meet revenue threshold increase at the end of 2022.
• Waive the 4% pay-as-you-go sequester triggered by passage of the American Rescue Plan Act.

When adjusted for inflation, Medicare physician payment rates have fallen 22% between 2001 and 2021, according to an AMA analysis of Medicare trustees’ data.

While the payment rates for hospitals, ambulatory surgery centers and hospice providers are scheduled to receive payment-rate updates in 2023 that at least match the rate of inflations, physicians’ payments will be reduced unless Congress acts.
Why is Medicare proposing payment updates in 2023 for all providers EXCEPT physicians?

Medicare provider updates for 2023

- 4.3% for Hospital Inpatient
- 3.8% for LTC Hospitals
- 2.4% for Skilled Nursing Facility
- 3.8% for Hospital Outpatient
- 2.7% for Hospice
- 2.7% for ASCs
- 3.7% for Physicians

*Updates not final; 2023 regulations still at proposed stage.

Note: Rate increases for Medicare Advantage plans are estimated to have an "effective growth rate" of 4.09%, with an expected average change in revenue of 8.5%.

Hospital inpatient, LT, hospitals, SNFs, hospice, hospital outpatient, and ASC inflation rates reflect market basket less productivity adjustment.

Physician fee schedule inflation rate is the Medicare Economic Index, which has a productivity adjustment.

Potential adjustments for quality performance are limited for all provider types.

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“The physician community stands ready to work with Congress to develop long-term solutions to the systematic problems with the Medicare physician payment system and preserve patient access,” the physicians’ letter says.

Learn more with the AMA the 10 principles that policymakers should follow to fix Medicare’s unsustainable physician payment system.