Medicare physician pay cuts underscore need to fix broken system

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What’s the news: U.S. physicians will face a 2% cut in Medicare payment in 2023, and 2024 will bring at least a 1.25% cut under the massive, must-pass omnibus spending deal struck by congressional leaders.

“The AMA is extremely disappointed and dismayed that Congress failed to prevent Medicare cuts next year, threatening the financial viability of physician practices and endangering access to care for Medicare beneficiaries,” said AMA President Jack Resneck Jr., MD. “This 2% cut, following two decades of flat payment rates, will have consequences on health care access for older Americans.”

Doctors had been staring down as much as 8.5% in 2023 Medicare pay cuts, but an advocacy campaign led by the AMA and joined by more than 150 organizations representing over 1 million physicians and other health care clinicians helped stave off many of the reductions.

Significantly, the budget deal includes a two-year postponement of the 4% in cuts from the pay-as-you-go sequester triggered by passage of the American Rescue Plan Act.

In addition, with this omnibus budget deal Congress is poised to extend the Advanced Alternative Payment Model participation incentive at a reduced rate of 3.5%, and to delay for one year a scheduled increase in patient and revenue requirements to qualify for incentives.

Why it’s important: Washington politicians’ failure to stop the entirety of the Medicare pay cuts comes at a financially precarious time for physician practices left reeling in the COVID-19 pandemic’s third year.

“High inflation compounds the threat to practice viability because physicians are the only Medicare providers without annual inflation-based updates,” said Dr. Resneck, a dermatologist in the San Francisco Bay Area.
From 2001 to 2021, Medicare physician pay fell 22% (JPG) after adjusting for inflation in practice costs. Meanwhile, the Medicare physician payment system lacks an adequate annual physician payment update, unlike those that apply to other Medicare provider payments (PDF).

“We are deeply worried that many practices will be forced to stop taking new Medicare patients—at a time when access to care is already inadequate,” Dr. Resneck said. “Congress must immediately begin the work of long-overdue Medicare physician payment reform that will lead to the program stability that beneficiaries and physicians need.”

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.

Learn more: At its most recent meeting, the Medicare Payment Advisory Commission acknowledged the growing gap between the costs of practicing medicine and what Medicare pays.

The AMA—in collaboration with 120 other physician and health care organizations—has outlined the essential principles (PDF) that can put the nation’s health care system on sustainable financial ground.

Visit AMA Advocacy in Action to find out what’s at stake in reforming Medicare payment and other advocacy priorities the AMA is actively working on.