

Medicare physician pay system needs a real fix—not more patches

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Jennifer Lubell

Contributing News Writer

The AMA's push to avert an 8.5% Medicare cut in the 2023 omnibus spending bill slowed down the wheels of a runaway train—but didn't stop it completely. Physicians will still see a 2% cut in Medicare pay this year, with at least a 1.25% cut in store for 2024.

Throwing in patches and preventing cuts year after year after year is not sustainable, warned AMA Senior Vice President of Advocacy Todd Askew.

"We spend all our time trying to prevent a 2% cut, a 4% cut, an 8% cut. And nobody on Capitol Hill or within the administration is focused on fixing the root problem—and that's the payment system itself," Askew said during a recent episode of "AMA Update."

Askew also discussed why a 2% cut might force some practices to reconsider Medicare, underscoring the urgency of reforming the Medicare payment system.

2% reduction in Medicare fees

Medicare physicians initially faced an 8.5% reduction to physician payments in 2023. This was due to multiple factors: the expiration of a 3% bonus to account for evaluation and management (E/M) increases, and new E/M values that called for a budget-neutrality adjustment of 1.5%. Another 4% came from a pay-as-you-go (PAYGO) cut to reduce excess spending.

"The timing could not really be worse given, first of all, a lot of practices are still recovering from lower revenue during the heart of the pandemic," noted Askew.

PAYGO cut averted

The AMA, along with 150 other physician organizations and health care groups worked hard to avert these cuts. Advocacy made some progress, said Askew. “Overall, the 4% reduction from PAYGO was put off, eliminated for this year.”

Congress also phased down the physician bonus that offsets E/M increases to 2.5%, with another phase down scheduled in 2024, to 1.25%.

Lawmakers also decided not to deal with offsetting the higher E/M values that caused other budget-neutrality cuts. “All in all, it’s about a 2% reduction in Medicare fees from 2022 to the current year,” explained Askew.

Practices may reexamine Medicare

While a 2% cut is better than 8.5%, the reduction will force many practices to make some tough decisions, said Askew.

Some already operate on a 2% or even 0% margin. “It’s going to have some practices examining whether Medicare participation is viable,” he emphasized. For older adult patients, this will likely result in access problems across the country across multiple specialties for multiple types of care.

Continued erosion in Medicare payments compared with inflation will have long-term implications, he continued.

Physicians have already seen reductions of 22% over the last few decades “based on the fact that the underlying payment system has no mechanism for regular increases to keep up with the cost of inflation,” said Askew.

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.

A wake-up call

Congress has not done any serious oversight on the current payment system since it was put into place under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015, Askew noted.

His hope is the 2% cut will be a wake-up call to Congress—that continuing cuts and erosion in the value of Medicare payments threatens access.

Askew urged physicians to stay tuned to AMA's social media channels and be on the lookout for alerts from the Physicians Grassroots Network. “We can't wait until there's another crisis because, likely, we're going to see more cuts next year,” he said.

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