

# Congress needs to enact Medicare physician payment reforms in 2024

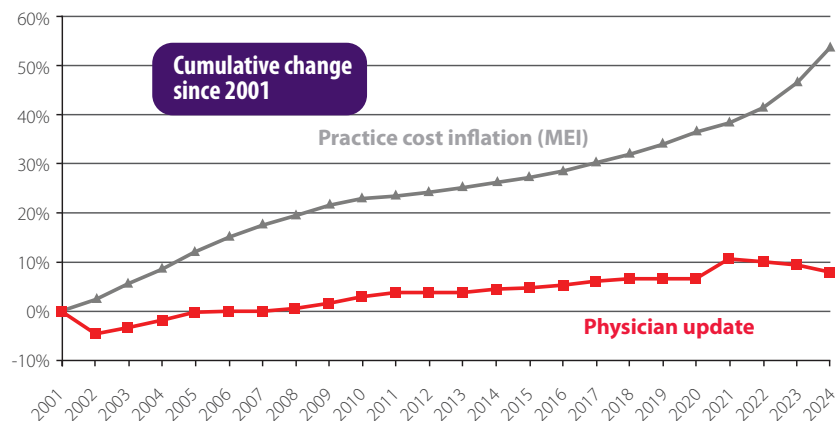
The American Medical Association is deeply concerned about the growing instability of the Medicare physician payment system due to statutory payment cuts, lack of inflationary updates and administrative burdens. The physician payment system is on an unsustainable path that threatens patient access to physician services.

Physicians faced yet another round of real dollar Medicare pay cuts triggered by the flawed Medicare budget neutrality rules and congressional PAYGO rules at the start of 2023. Congress acted at the last minute in 2022 to avert portions of the 8.5% cut—but did not stop it completely. Ultimately, physicians were cut 2% in 2023 and Congressional relief has not yet been delivered to reverse the additional 3.4% cut that took effect on Jan. 1, 2024.

These collective cuts come on the heels of two decades of stagnant Medicare payment rates. Adjusted for inflation in practice costs, the value of Medicare physician pay fell 30% from 2001–2024 because physicians, unlike other Medicare providers, do not get an automatic yearly inflation-based payment update. Piling on the latest 3.4% cut during a period of high inflation, workforce shortages and soaring physician burnout will have negative consequences as older Americans struggle to find access to primary care and specialist physicians they need. The payment reductions disproportionately impact small, independent and rural physician practices, as well as those treating low-income or other historically minoritized or marginalized patient communities.

## Medicare updates compared to inflation in practice costs (2001–2024)

**Note:**  
Adjusted for inflation in practice costs, Medicare physician payment declined 30% from 2001 to 2024.



This pattern of Congress passing last-minute stop gap measures to avert the negative impact of budget neutrality adjustments to the Medicare Physician Fee Schedule (MPFS) that, at best, result in a payment freeze must end. Last year the AMA, together with all 50 state medical associations and dozens of national physician organizations, endorsed a shared set of principles to reform Medicare reimbursement entitled, “Characteristics of a Rational Medicare Physician Payment System.” This document was the precursor to work with members of Congress and the committees of jurisdiction on legislative proposals to: (1) provide automatic annual inflation updates to the MPFS Conversion Factor (CF) based on the Medicare Economic Index (MEI); (2) revise policies for maintaining budget neutrality within the MPFS that have necessitated

corresponding payment cuts; (3) ease the administrative burdens and fiscal uncertainty caused by the Merit-based Payment Incentive System (MIPS); and (4) extend incentives that enable physician practices to participate in alternate payment models (APMs).

More specifically, Congress introduced a collection of commonsense legislative reforms that build upon “Characteristics of a Rational Medicare Physician Payment System” including:

**H.R. 2474, the Strengthening Medicare for Patients and Providers Act**, introduced by Reps. Raul Ruiz, MD (D-Calif.), Larry Bucshon, MD (R-Ind.), Ami Bera, MD (D-Calif.) and Mariannette Miller-Meeks (R-Iowa), would provide an annual, automatic update to the MPFS based on the MEI. The legislation also replaces the differential conversion factors for MIPS (e.g., 0.25%) and APM (0.75%) participants that are set to begin in 2026 with the MEI inflationary update.

**H.R. 6371, the Provider Reimbursement Stability Act**, introduced by Rep. Greg Murphy, MD (R-N.C.) and 14 original cosponsors, would reform MPFS budget neutrality policies by: (1) requiring CMS to reconcile inaccurate utilization projections based on actual claims and prospectively revise the CF accordingly; (2) raise the threshold that triggers a budget neutrality adjustment from \$20 million to \$53 million and increase it every five years by the cumulative increase in the MEI; (3) require the direct inputs for practice expense relative value unit (i.e., clinical wages, prices of medical supplies and prices of equipment) to be reviewed concurrently and no less often than every five years and (4) require CMS to limit positive or negative budget neutrality adjustments to the CF to 2.5% each year.

**H.R. 5013/S. 3503, the Value in Health Care (VALUE) Act**, introduced by Reps. Darin LaHood (R-Ill.) and Suzan DelBene (D-Wash.) in the House, and Sens. Whitehouse (D-R.I.) and Barrasso (R-Wyo.) in the Senate, would extend the 5% APM bonus and maintain the 50% revenue threshold for two years.

**H.R. 6683, the Preserving Seniors’ Access to Physicians Act**, introduced by Reps. Greg Murphy, MD (R-N.C.), Danny Davis (D-Ill.), Brad Wenstrup (R-Ohio), Michael Burgess, MD (R-Texas), Jimmy Panetta (D-Calif.) and Larry Bucshon, MD (R-Ind.), would provide full, short-term relief from the 3.4 % cut imposed in 2024 due to the budget neutrality policies medicine is seeking to reform.

Bipartisan support for these legislative proposals continues to grow in Congress. In addition, during markups held on health care issues in the fall of 2023, both the Senate Committee on Finance and the House Committee on Energy and Commerce moved legislation to offset a portion (1.25%) of the 2024 CF cuts along with select provisions of H.R. 6371 to reform fee schedule budget neutrality policies. These proposals await floor action in both chambers. During these markups, members of both committees discussed the need for Medicare payment reform at length and secured pledges from the chairs to address the issue in earnest this year.

The AMA stands ready to work with Congress on solutions to fix problems within the Medicare physician payment system. Medicare physicians and patients should not have to face the uncertainty of annual payment cuts that threaten physician practice viability and patient access to care.

### **Congressional asks:**

- **Ask your senators and representatives to support and urge House and Senate leadership to enact legislation to stop the 2024 Medicare CF cut.**
- **Ask your senators and representatives to urge the committees of jurisdiction to initiate hearings to start the process of long-term Medicare physician payment reforms, including an automatic annual inflation CF update based on the MEI, and revisions to fee schedule budget neutrality policies.**
- **Ask your representatives to cosponsor H.R. 2474, H.R. 6371, H.R. 5013, and H.R. 6683 and urge your senators to support companion legislation in the Senate, including S.3503.**