



# Congress must stop Medicare payment cuts triggered by budget neutrality

The AMA and the broader health care community supports efforts by federal policymakers to reduce documentation overload, enabling physicians to spend more time with patients. The AMA has consistently supported policies enacted by the Centers for Medicare and Medicaid Services (CMS) that overhauled evaluation and management (E/M) office visit policies and guidelines. However, the budget neutrality offsets that resulted from incorporating the improved E/M documentation and payment policies into the Medicare Physician Fee Schedule (MPFS), combined with a statutory payment freeze during this period of high inflation, is disruptive and threatens access to care for Medicare beneficiaries.

## Background

E/M services enable clinicians to diagnose and manage patients' chronic conditions, treat acute illnesses, develop care plans, coordinate care across providers and settings, discuss patient preferences, and engage in shared decision making. The AMA strongly supported CMS' adoption of the new coding framework and policy changes that took effect on January 1, 2021.

Unfortunately, the 2021 E/M office visit payment increases were offset by payment reductions across all physician services due to statutory budget neutrality requirements applied to the MPFS. Under existing statutory budget neutrality requirements, any MPFS changes cannot increase or decrease expenditures by more than \$20 million in a year. These adjustments are typically applied to the MPFS Conversion Factor. Thankfully, Congress passed legislation at the end of 2020 providing physicians with a 3.75% increase to the MPFS Conversion Factor for 12 months to mitigate the impact of the E/M policy changes. At the end of 2021, Congress again intervened legislatively to alleviate the impact; the Protecting Medicare and American Farmers from Sequester Cuts Act signed into law in December 2021 included a separate 3.0% increase to the MPFS Conversion Factor through December 31, 2022.

## Current Issue

The recently issued 2023 MPFS proposed rule again threatens physicians with steep payment reductions. Notably, the 2023 MPFS Conversion Factor is slated to be reduced by 4.5%. This reduction is partly the result of the expiring the 3% increase Congress authorized at the end of 2021. The remaining reduction stems from CMS proposing new policies for E/M services provided in non-office settings (i.e., hospital, emergency medicine, nursing facility and home visits), which will require an additional budget neutrality reduction of about 1.5%. Again, this combined 4.5% payment cut comes at a time when physicians payment updates are frozen, despite the pressures of practice cost inflation.

**The AMA urges the House and Senate to expeditiously introduce and pass new legislation that prevents the scheduled 4.5% payment reduction from going into effect on January 1, 2023. Absent federal legislation, patient access to care will be jeopardized due to another round of steep payment cuts stemming from arbitrary and capricious statutorily mandated adjustments.**