

# The need for Medicare physician payment reform

The American Medical Association continues to be deeply alarmed about the growing financial instability of the Medicare physician payment system due to a confluence of fiscal uncertainties physician practices face related to the ongoing pandemic, statutory payment cuts, lack of inflationary updates, and significant administrative barriers. The payment system remains on an unsustainable path threatening beneficiaries' access to physicians.

- According to an AMA analysis of Medicare Trustees data, Medicare physician payment has been reduced 26% adjusted for inflation from 2001–2023. The Medicare physician payment system lacks an adequate annual physician payment update, unlike those that apply to other Medicare provider payments. A continuing statutory freeze in annual Medicare physician payments is scheduled to last until 2026, when updates resume at a rate of 0.25% per year indefinitely, well below inflation rates.
- A May 2021 *JAMA Health Forum* study found that it costs an estimated \$12,811 and more than 200 hours per physician, per year to comply with the Medicare Merit-Based Incentive Payment (MIPS) system and, to date, there have been very limited options for physicians to move towards value-based Medicare Advanced Alternative Payment Models (APM).
- The discrepancy between what it costs to run a physician practice and actual payment combined with the administrative and financial burden of participating in Medicare is incentivizing market consolidation and driving physicians out of rural and underserved areas.
- In addition to being asked to do more with fewer resources each year, physicians continue to face significant clinical and financial disruptions during the COVID-19 pandemic. In 2020, according to an AMA study, there was a \$13.9 billion decrease (equating to a 14% reduction) in Medicare physician fee schedule spending as patients delayed treatments. Burnout, stress, workload, and fear of COVID-19 infection are leading one in five physicians to consider leaving their current practice within two years.

**Therefore, it is urgent that Congress work with the physician community to develop long-term solutions to the systematic problems with the Medicare physician payment system and preserve patient access:**

- Congress needs to establish a permanent, annual inflationary Medicare physician payment update that keeps up with the cost of practicing medicine and encourages practice innovation.
- Budget neutrality policies need to be revised to: (a) prevent erroneous utilization estimates from causing inappropriate cuts; (b) clarify the types of services that should and should not be subject to budget neutrality adjustments; and (c) raise the projected expenditure threshold that triggers the budget neutrality adjustment, which has been in place since 1992.
- The performance and reporting programs in Medicare's Merit-based Incentive Payment System (MIPS) are based on outdated legacy programs and the four components largely function independently and are non-cohesive. They are burdensome and often lack clinical relevance. Policymakers should work with the physician community and other stakeholders to develop ways to reduce the administrative and financial burden of MIPS participation and revise reporting programs to ensure its clinical relevance to patient care.