

March 15, 2023

The Honorable Kevin McCarthy
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Dear Speaker McCarthy, Majority Leader Schumer, Minority Leader McConnell, and Minority Leader Jeffries:

On behalf of the American Medical Association (AMA) and the undersigned organizations representing the vast majority of physicians practicing in the United States, **we urge Congress to provide physicians with much needed fiscal stability by passing legislation that provides an annual inflation-based payment update based on the full Medicare Economic Index (MEI).** This inflation-based update is the principal legislative solution to the ongoing problems plaguing the Medicare Physician Fee Schedule (MFS).

The undersigned organizations, representing more than 900,000 physicians caring for tens of millions of Medicare beneficiaries, thank Congress for stepping in to ameliorate threats to Medicare physician payment over the last few years triggered by coding changes and the statutory budget neutrality requirement affecting the MFS. Unfortunately, even with these stopgap measures, physicians continue to see their Medicare payments decrease amidst record-setting inflation and rising practice costs, underscoring the need for permanent solutions. We commend Representatives Bera, Bucshon, Schrier, Burgess, Blumenauer, Wenstrup, Schneider, and Miller-Meeks for recognizing this critical need and formally soliciting information on how to stabilize Medicare physician payments late last year.

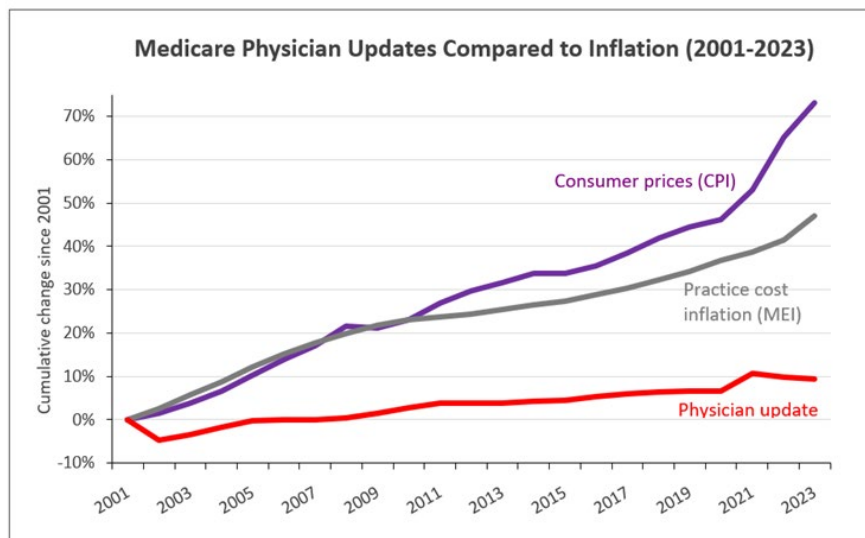
Today, the Medicare Payment Advisory Commission (MedPAC) recommended that Congress increase the 2024 Medicare physician payment rate above current law with an inflation-based payment update tied to the MEI. **We commend MedPAC for taking this significant step. However, we feel strongly that implementing an inflation-based update based on only half of the full MEI growth rate would be a missed opportunity to meaningfully address this perennial issue of Medicare physician underpayment that threatens stable access to care for millions of Medicare beneficiaries.**

MedPAC's rationale that half of MEI is sufficient because the practice expense component of physician payment accounts for approximately half of total Medicare physician payments reflects an incomplete picture. It is well understood that the practice expense component does not cover all practice costs. Furthermore, practice expense is only one component of a multifactorial formula to compensate physicians for the total costs of running a medical practice and caring for Medicare beneficiaries. Payment for physician work—the time, energy, and expertise devoted to treating patients—is no less important, also contributes to total practice expense, and is equally impacted by inflation. **Therefore, an inflation-based payment update is equally warranted for physician work and other aspects of total physician payment, all of which could be addressed by finalizing an update that is tied to full, rather than half, of MEI.**

Medicare Trustees have repeatedly expressed concern with the failure of Medicare payments to keep pace with the rising costs of running a medical practice.¹ Without change, patient access to care is anticipated to become a significant issue. According to MedPAC,² among Medicare beneficiaries looking for a new primary care physician, half had issues finding one. And among Medicare beneficiaries looking for a new specialist, one-third struggled to find one. Difficulty finding specialists in rural and historically underserved areas is worsening existing barriers to care for patients in those communities.³

Physician Payments Failing to Keep Pace with Rising Inflation and Practice Costs

Over the last 22 years, Medicare physician payments have increased just nine percent, or 0.4 percent per year on average. In comparison, the cost of running a medical practice increased 47 percent between 2001 and 2023. **When adjusted for inflation in practice costs, Medicare physician pay has effectively declined 26 percent from 2001 to 2023.**



Sources: Federal Register, Medicare Trustees' Reports, Bureau of Labor Statistics, Congressional Budget Office

Medical practices across the country are experiencing unprecedented financial pressures stemming from higher staffing needs, rent, liability insurance premiums, and other practice costs due to record-setting rates of inflation, the ongoing COVID-19 recovery, and significant administrative burden. At the same time, physician practices are seeing their payments eroded year-after-year due to a combination of budget neutrality

adjustments and Medicare sequestration. It is no surprise that one in five physicians are considering leaving their practice within two years due to the stress of running a medical practice, including increased financial pressures and administrative burden.⁴

Looking ahead, physicians caring for Medicare beneficiaries continue to grapple with a statutory freeze in annual Medicare physician payments until 2026, when updates resume at a rate of only 0.25 percent a year indefinitely, well below the rate of medical or consumer price index inflation. **Without an inflation-**

¹ <https://www.cms.gov/files/document/2022-medicare-trustees-report.pdf>.

² <https://www.medpac.gov/wp-content/uploads/2021/10/Tab-E-Physician-Updates-8-Dec-2022.pdf>.

³ American Association of Medical Colleges. (2021). The Complexities of Physician Supply and Demand: Projections From 2019 to 2034. <https://www.aamc.org/media/54681/download>.

⁴ [https://www.mcpiqjournal.org/article/S2542-4548\(21\)00126-0/fulltext](https://www.mcpiqjournal.org/article/S2542-4548(21)00126-0/fulltext).

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based update, the gap between frozen physician payment rates and rising medical practice costs due to inflation will continue to widen considerably.

Physician Payments Falling Behind

Unlike nearly all other Medicare providers and suppliers, physicians do not receive an annual inflationary payment update. This compounds the financial uncertainty and budgetary challenges for our nation's physician practices, with a disproportionate impact on those that are small, independent, rural, or serving high-needs patient populations. The increasing 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, which can increase healthcare costs.⁵

Finally, inflation adjusted ("real") growth in Medicare physician spending has been flat or declining. In fact, the increase in real MFS spending per enrollee drops to just 0.1 percent per year from 2011-2021. If we remove the temporary COVID-related measures such as the 3.75 percent conversion factor update in 2021 and sequester relief, **real MFS spending per enrollee would have actually declined four percent from 2011 to 2021.** This path is not sustainable.

Conclusion

We urge Congress to take action to address these systemic problems with the Medicare physician payment system by passing legislation providing physicians with an annual inflation-based update tied to the MEI. Congress has a real opportunity to relieve the financial strain on Medicare physicians and strengthen access to care for current and future generations of Medicare beneficiaries. We urge you to answer that call.

Thank you for your consideration.

Sincerely,

American Medical Association
AMDA - The Society for Post-Acute and Long-Term Care Medicine
American Academy of Allergy, Asthma & Immunology
American Academy of Dermatology Association
American Academy of Facial Plastic and Reconstructive Surgery
American Academy of Family Physicians
American Academy of Hospice and Palliative Medicine
American Academy of Neurology
American Academy of Ophthalmology
American Academy of Orthopaedic Surgeons
American Academy of Otolaryngic Allergy
American Academy of Otolaryngology- Head and Neck Surgery
American Academy of Physical Medicine and Rehabilitation
American Academy of Sleep Medicine
American Association for Hand Surgery (AAHS)

⁵ "What We Know About Provider Consolidation." Kaiser Family Foundation. Sept. 2, 2020. www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation.

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American Association for Physician Leadership
American Association of Clinical Endocrinology
American Association of Clinical Urologists
American Association of Hip and Knee Surgeons
American Association of Neurological Surgeons
American Association of Neuromuscular & Electrodagnostic Medicine
American Association of Public Health Physicians
American College of Allergy, Asthma & Immunology
American College of Cardiology
American College of Chest Physicians
American College of Emergency Physicians
American College of Gastroenterology
American College of Lifestyle Medicine
American College of Medical Genetics and Genomics
American College of Osteopathic Internists
American College of Physicians
American College of Radiation Oncology
American College of Radiology
American College of Rheumatology
American College of Surgeons
American Gastroenterological Association
American Geriatrics Society
American Institute of Ultrasound in Medicine
American Medical Women's Association
American Orthopaedic Foot & Ankle Society
American Osteopathic Association
American Rhinology Society
American Society for Clinical Pathology
American Society for Dermatologic Surgery Association
American Society for Gastrointestinal Endoscopy
American Society for Laser Medicine and Surgery, Inc.
American Society for Radiation Oncology
American Society for Reproductive Medicine
American Society of Anesthesiologists
American Society of Cataract and Refractive Surgery
American Society of Echocardiography
American Society of Hematology
American Society of Neuroradiology
American Society of Nuclear Cardiology
American Society of Regional Anesthesia and Pain Medicine
American Society of Retina Specialists
American Society of Transplant Surgeons
American Thoracic Society
American Urological Association
American Vein & Lymphatic Society
American Venous Forum
Association for Clinical Oncology

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Association of American Medical Colleges
Collaborate Health Partners/CVFP
College of American Pathologists
Congress of Neurological Surgeons
Endocrine Society
Heart Rhythm Society
International Society for Advancement of Spine Surgery
Medical Group Management Association
North American Neuromodulation Society
Outpatient Endovascular and Interventional Society
Renal Physicians Association
Society for Cardiovascular Angiography and Interventions
Society for Cardiovascular Magnetic Resonance
Society for Pediatric Dermatology
Society for Vascular Surgery
Society of Cardiovascular Computed Tomography
Society of Critical Care Medicine
Society of Hospital Medicine
Society of Interventional Radiology
Society of Nuclear Medicine and Molecular Imaging
Spine Intervention Society
The Society of Thoracic Surgeons

Medical Association of the State of Alabama
Alaska State Medical Association
Arizona Medical Association
Arkansas Medical Society
California Medical Association
Colorado Medical Society
Connecticut State Medical Society
Medical Society of Delaware
Medical Society of the District of Columbia
Florida Medical Association Inc
Medical Association of Georgia
Hawaii Medical Association
Idaho Medical Association
Illinois State Medical Society
Indiana State Medical Association
Iowa Medical Society
Kansas Medical Society
Kentucky Medical Association
Louisiana State Medical Society
Maine Medical Association
MedChi, The Maryland State Medical Society
Massachusetts Medical Society

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Michigan State Medical Society
Minnesota Medical Association
Mississippi State Medical Association
Missouri State Medical Association
Montana Medical Association
Nebraska Medical Association
Nevada State Medical Association
New Hampshire Medical Society
Medical Society of New Jersey
New Mexico Medical Society
Medical Society of the State of New York
North Carolina Medical Society
North Dakota Medical Association
Ohio State Medical Association
Oklahoma State Medical Association
Oregon Medical Association
Pennsylvania Medical Society
Rhode Island Medical Society
South Carolina Medical Association
South Dakota State Medical Association
Tennessee Medical Association
Texas Medical Association
Utah Medical Association
Vermont Medical Society
Medical Society of Virginia
Washington State Medical Association
West Virginia State Medical Association
Wisconsin Medical Society
Wyoming Medical Society