



Sound Policy. Quality Care.

November 30, 2023

Michael Chernew, PhD  
Chairman  
Medicare Payment Advisory Commission  
425 I Street, Suite 701  
Washington, DC 20001

**RE: Assessing and Updating Medicare Payment for Physicians' Services in CY 2025**

Dear Chairman Chernew,

The Alliance of Specialty Medicine (the "Alliance") represents more than 100,000 specialty physicians from 16 specialty and subspecialty societies who are dedicated to the development of sound federal health care policy that fosters patient access to the highest quality specialty care. Today, ***we write to urge the Commission to recommend a positive Medicare base payment rate update for physician and other health professional services equal to the projected increase in the Medicare Economic Index (MEI) for calendar year (CY) 2025.***

*Inflation*

Physician's practice costs – including labor, rent, medical equipment and supplies – have increased rapidly over the past several years. The CY 2024 Medicare physician fee schedule (PFS) projects the increase in the Medicare Economic Index (MEI) for 2024 will be 4.6 percent, but finalized a payment reduction of 3.37 percent. Unlike other Medicare providers (e.g., hospitals, hospices, and inpatient rehabilitation facilities, etc.), the Medicare PFS lacks a mechanism to reflect annual inflation.

Volatility in Medicare PFS payments has contributed to physicians selling their practices to larger, better-resourced entities. The impact of this consolidation remains a concern of policymakers, as well as the Commission, due to its impact on program spending. As the Commission considers broad reforms to the Medicare physician payment system, this disparity should be corrected. In the meantime, for CY 2025, we urge the Commission to recommend that payments for physician and health professional services are updated by the projected increase in the MEI.

*Access*

In its March 2023 *Report to the Congress*, the Commission highlights that the share of all clinicians' entering Medicare has remained flat, while those exiting Medicare has increased slightly by 0.5 percent. For specialists, those figures are more pronounced; the number of specialists entering Medicare slightly declined (by 0.3 percent), while those exiting Medicare has increased (by 0.7 percent). MedPAC also highlights that total encounters per fee-for-service (FFS) beneficiary has increased slightly (0.2 percent), while for specialists, this figure dropped by 0.4 percent. Finally, the Commission found that, while the

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American Association of Neurological Surgeons • American College of Mohs Surgery • American College of Osteopathic Surgeons  
American Gastroenterological Association • American Society for Dermatologic Surgery Association  
American Society of Cataract & Refractive Surgery • American Society of Echocardiography • American Society of Plastic Surgeons  
American Society of Retina Specialists • American Urological Association • Coalition of State Rheumatology Organizations  
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number of clinicians billing Medicare increased overall, the number of specialists per FFS beneficiary has declined by 0.5 percent.

In prior years, the Commission used these same data points to inform multiple recommendations aimed at enhancing payments to primary care physicians. Now that the Commission's data show that access to specialists is on a similar trajectory as primary care, it should make recommendations that stop the negative trend, including that physician payments should be updated by the projected MEI for CY 2025.

#### *Payment adequacy metrics*

Each year, the Commission relies on measures of access, quality of care, and physician's payments and input costs, in making its annual payment update recommendation. In its March 2023 *Report to the Congress*, the Commission reported that access was good, quality of care was difficult to assess, and input costs (based on the MEI) had increased. As a result, the Commission recommended an update to the Medicare base payment rate of  $\frac{1}{2}$  of MEI for CY 2024.

Despite the favorable payment update recommendation for CY 2024, we are concerned that MedPAC's payment adequacy metrics have routinely failed to accurately capture the adequacy of Medicare payments for physicians' services. This has led the Commission's historic payment update recommendations for PFS services to fall short of its core principles. From our perspective, payments for physicians' services have not been *"sufficient to support beneficiary access to high-quality health care in an appropriate clinical setting,"* do not *"reflect efficient care delivery, thereby ensuring that the program's fiscal burden on beneficiaries and taxpayers is not greater than necessary,"* and fail to provide *"incentives to supply appropriate and equitable care in an efficient manner."*

Further, we take issue with the Commission's analysis of compensation across hospital employment and private practice as a "pseudo-metric" for assessing payment adequacy. Compensation or "take home pay" across ownership is a poor measure of whether Medicare payments for physician's services are adequate to cover the time, expertise, and resource costs associated with delivering care to beneficiaries. Indeed, compensation may come from a variety of sources. As you know, the Commission has long asserted that the Medicare program is not responsible for addressing shortfalls in provider payments from other sources (e.g., Medicaid), so it stands to reason that the Medicare program should not rely on other, non-Medicare sources to cover the costs expended to deliver care to Medicare beneficiaries.

We have suggested that the Commission expand its payment adequacy metrics for the physician payment update to include the rate physician offices are converted to provider-based hospital outpatient departments and the rate physicians exit private practice and secure employment with hospitals, health systems, and other entities. Because private practicing physicians have shared they face more difficulty recruiting and retaining clinical, technical and administrative staff, another metric might assess the ability of physician practices to recruit and retain these staff relative to other Medicare providers. Finally, similar to its annual survey of beneficiaries, the Commission might consider a survey of Medicare physicians to better understand the challenges of low Medicare reimbursements.

As MedPAC continues exploring options for reforming the Medicare physician payment system more broadly, ***we urge the Commission to recommend a positive Medicare base payment rate update for physician and other health professional services equal to the projected increase in the Medicare Economic Index (MEI) for calendar year (CY) 2025.***

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The Alliance appreciates the opportunity to share our concerns and looks forward to working with you on ways to think about the Medicare physician payment challenge differently. Should you have any questions, please contact us at [info@specialtydocs.org](mailto:info@specialtydocs.org).

Sincerely,

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