

Medicare Payment Reform

In December 2021, Congress acted to mitigate most impending cuts to Medicare reimbursement set to take place in 2022. The “Protecting Medicare and American Farmers from Sequester Cuts Act” provided a 3% positive adjustment to the Medicare Physician Fee Schedule (MPFS) conversion factor (CF) for 2022, averted a 4% Medicare payment reduction due to statutory pay-as-you-go (PAYGO) requirements and phased in a 2% cut due to sequestration policy over 6 months. These critical payment reduction relief policies effectively turned a 10% cut to Medicare reimbursement into a 2.5% cut spread out over 2022. Although imperfect, this relief provided increased financial stability for Medicare clinicians and helped to ensure our nation’s seniors maintained access to high-quality care. Unfortunately, physicians face another round of significant payment cuts on January 1, 2023. If finalized, the recently released Calendar Year (CY) 2023 MPFS Proposed Rule will cut the Medicare conversion factor by 4.5%. This cut, combined with the pending threat of the 4% PAYGO reduction and a lack of inflationary update, is simply not sustainable.

Why These Cuts Matter

Without Congressional intervention, current policies will result in significant payment cuts to physicians providing services for Medicare patients thus destabilizing health system financing and threatening the sustainability of many physician private practices. These same practices are already facing increased practice costs due to Covid safety protocols and the Congressional Budget Office estimates that up to 50% of healthcare facilities could be running with negative margins by 2025. Many private practice physicians—especially specialists—are thus choosing to close their practice or sell to a hospital system, which threatens access to patient care.

Payment Policy To Watch

- **MPFS Conversion Factor** – The 2023 MPFS Proposed Rule would cut the Medicare CF — the basic starting point for calculating Medicare payments — by approximately 4.5%.
- **Pay-As-You-Go Payment Cuts (PAYGO)** – PAYGO was established as a budget enforcement mechanism requiring that legislation affecting mandatory spending and revenues would not increase the federal deficit. When this threshold is met, automatic cuts begin. Unless Congress once again moves to suspend PAYGO before January 1, 2023, the nation’s physicians will be subject to a 4% cut to Medicare reimbursement.
- **Inflationary Update** – Physicians are the only Medicare providers who are subject to budget neutrality and whose reimbursements are not adjusted to meet the growing inflation of practice expenses. In fact, when adjusted for inflation, physician reimbursement under Medicare has actually DECREASED 20% over the last 20 years.

What Congress Should Do

We urge Congress to expeditiously pass legislation that provides at least a 4.5% CF adjustment for 2023. In addition to staving off this immediate cut, the legislation should also provide at least a one-year inflationary update.