

Medicare Payment Reform

Background: Since December of 2020, Congress has acted annually to mitigate statutorily required reductions to the Medicare Physician Fee Schedule (MPFS) by applying a positive adjustment to the MPFS conversion factor (CF) - the basic starting point for calculating Medicare reimbursement. Most recently, the Consolidated Appropriations Act of 2024 increased the congressional bump to the Medicare Physician Fee Schedule (MPFS) conversion factor (CF) by 1.68% beginning March 9 for the remainder of 2024. When combined with the already existing 1.25% CF bump that Congress passed at the end of 2022, the result is a 2.93% increase over what the CF would have been without congressional action.

This bipartisan Congressional effort, a result of intense advocacy from an ACR-led coalition of physician and non-physician organizations, mitigated impending payment reductions by roughly 50% for 2024 granting short-term stability for providers to ensure beneficiaries continue to have access to high quality care.

Issue: These year-over-year reductions clearly demonstrate that the current Medicare physician payment system is broken. Systemic issues such as the negative impact of the MPFS's budget neutrality requirements are amplified by the lack of a Medicare Economic Index (MEI)-based inflationary update, which would allow Medicare reimbursement to keep pace with the true cost of practice. As one of the only fee schedules without an inflationary update, physicians are particularly vulnerable to compounding financial factors that generate significant instability for health care professionals and threaten beneficiaries' timely access to essential health care services.

House Recommendations:

- Cosponsor H.R. 2474, the Strengthening Medicare for Patients and Providers Act, which adds a permanent, MEI-based inflationary update to the MPFS
- Consider long-term reforms to mitigate major shifts within the MPFS, including exploration of adjustments to budget neutrality requirements

Senate Recommendations:

- Introduce companion legislation to H.R. 2474 to add a permanent, MEI-based inflationary update to the MPFS
- Consider long-term reforms to mitigate major shifts within the MPFS, including exploration of adjustments to budget neutrality requirements