

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.

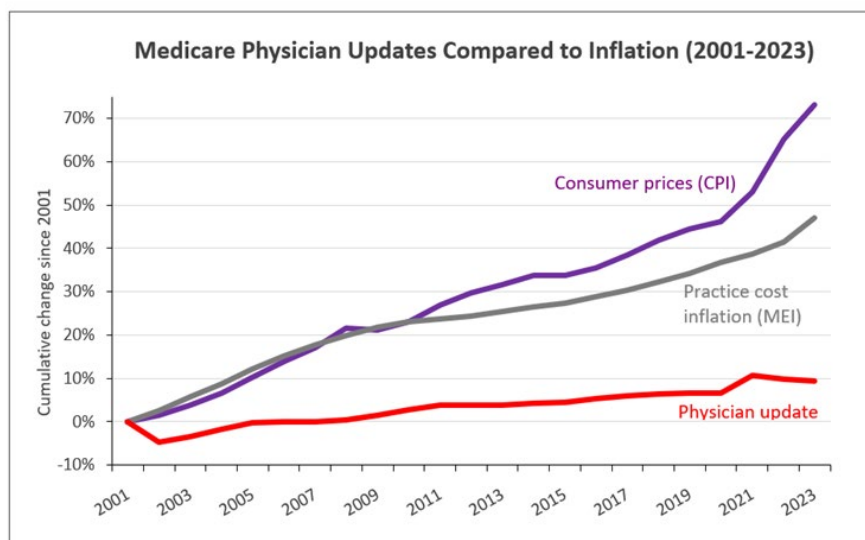
Today, the Medicare Payment Advisory Commission (MedPAC) recommended that Congress increase the 2024 Medicare physician payment rate above current law with an inflation-based payment update tied to the MEI. **We commend MedPAC for taking this significant step. However, we feel strongly that implementing 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.<sup>1</sup> Without change, patient access to care is anticipated to become a significant issue. According to MedPAC,<sup>2</sup> 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.<sup>3</sup>

### 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.<sup>4</sup>

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-**

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

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

<sup>3</sup> 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>.

<sup>4</sup> [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.<sup>5</sup>

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)

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<sup>5</sup> “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](http://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