








Reasons the US Needs to Fix the Medicare Physician Payment System

A CALL TO CONGRESS: AMERICA'S PATIENTS AND PHYSICIANS NEED YOUR SUPPORT

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Today's Medicare physician payment system is growing more and more unsustainable — putting both physicians and their patients at risk.

Despite over a decade of fighting to reform the system, physicians remain the only Medicare providers who do not receive an annual inflationary update.

This oversight means that payments lag well behind the rate of inflation, jeopardizing both physicians' financial stability and their ability to keep up with rising medical costs. Without action, physician practices will be forced to close, leaving not just Medicare patients — but all of America's patients — with fewer options for high-quality care.

Reform of the system is long overdue. Bold action by Congress will help ensure a fair and rational Medicare payment system that more closely ties payments to quality care, and spares Congress the headache of an annual evaluation of scheduled pay cuts.

The Strengthening Medicare for Patients and Providers Act (H.R. 2474) would provide an annual inflationary update to Medicare physician payments based on the Medicare Economic Index. Policymakers' support of this bill will help address the flawed system, safeguard physician practices and protect patients' access to quality care.

Additional reforms will also help the Medicare physician payment system better reflect the realities of medical practices today. This includes revising the policies governing budget neutrality calculations to help avoid incorrect projection errors and reducing the financial and reporting burdens on physicians imposed by the Merit-based Incentive Payment System (MIPS). Reforms could also incentivize participation in alternative payment models (APMs), which can help reward providers delivering high-quality and coordinated care.

Here's why Congress needs to reform the Medicare physician payment system now:

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01

← AS PRACTICE COSTS INCREASE, PHYSICIAN PAY HAS DECLINED

Since 2001, Medicare physician pay has lagged **29 percent** behind the rate of inflation. During that time, the cost of running a practice has gone up by nearly 50 percent. That's more than two decades of stagnant payment rates in the face of inflation.

02

← INCORRECT ASSUMPTIONS DRAIN FUNDS FROM THE PAYMENT POOL

When services are added to the physician fee schedule, future utilization assumptions, or projections about the future work of a practice, are made to meet CMS's budget neutrality rules. Yet, inaccurate projections have resulted in billions of dollars being permanently removed from the payment pool.

03

← TEMPORARY PATCHES TO THE PAYMENT SYSTEM ARE UNSUSTAINABLE

At the beginning of 2024, Medicare physicians faced a **3.37 percent payment cut**. While Congress worked to limit this reduction in pay, it only reversed 1.68 percent of the cut, hindering physicians' ability to keep up with practice costs and consumer prices. That's on top of a 2 percent pay reduction in 2023.

04

← CONTINUED PAY CUTS LIMIT MEDICARE PATIENTS' OPTIONS

The U.S. is already experiencing delays in access to care and scheduling appointments. On top of that, America is expected to have a shortage of up to **86,000 physicians** by 2036. Medicare patients can't afford to have fewer options.

05

← WITHOUT CHANGE, ALL AMERICANS RISK LOSING ACCESS TO QUALITY CARE

Without long-term reform, doctors will not be able to adequately pay staff, purchase new equipment or invest in their practices. When Medicare physicians are forced to close their doors, all Americans are put at risk, not just those who rely on Medicare.



06

← THE DEVELOPMENT OF APMS HAS STALLED

While Congress and the physician community have promoted APMs to enable the delivery of better care at a lower cost, most physicians still do not have the opportunity to utilize APMs. This deprives patients and physicians of the benefits of innovative health care delivery systems.

07

← HEALTH CARE ACCESS IN RURAL AND UNDERSERVED COMMUNITIES WILL DECLINE

The annual cost of MIPS participation is about **\$12,800 per physician**, which is steep for rural and resource-stressed small practices to absorb. If Medicare physicians close shop, individuals living in these communities may struggle to find any care at all.

08

← A RATIONAL PAYMENT SYSTEM WOULD BETTER MEET AMERICANS' NEEDS

Reforming the flawed system would benefit both patients and physicians. It would ensure financial stability and predictability, promote value-based care and safeguard access to high-quality care. Furthermore, it would enable large and small practices across rural and urban areas to thrive.

Congress: Physicians need your support and America's patients need your protection.

To learn more about the work AMA is doing to safeguard access to Medicare and advocate for long-term solutions, visit: [fixmedicarenow.org](https://www.fixmedicarenow.org)