AMA
AMERICAN MEDICAL ASSOCIATION

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The Honorable John Boozman
United States Senate
555 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Angus S. King, Jr.
United States Senate
133 Hart Senate Office Building
Washington, DC 20510

The Honorable Peter Welch
United States Senate
115 Russell Senate Office Building
Washington, DC 20510

The Honorable Thom Tillis
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Roger Marshall, MD
United States Senate
479A Russell Senate Office Building
Washington, DC 20510

The Honorable Jeanne Shaheen
United States Senate
506 Hart Senate Office Building
Washington, DC 20510

Dear Senators Boozman, Welch, Marshall, King, Tillis, and Shaheen:

On behalf of the physician and medical student members of the American Medical Association (AMA), I am pleased to express our strong support for S. 5180 the "Provider Reimbursement Stability Act of 2025." This legislation represents a necessary step toward building a more rational, predictable Medicare physician payment system that preserves patient access to care and reflects the true cost of delivering high-quality medical services. Specifically, it would allow Centers for Medicare & Medicaid Services (CMS)to prospectively correct utilization misestimates, require regular and simultaneous updates to direct practice expense inputs, modernize the outdated budget neutrality threshold, and cap year-to-year swings in the conversion factor.

Medicare physician payment has eroded dramatically over the past two decades. When adjusted for inflation, physician practice payments from Medicare have fallen by approximately 33 percent since 2001, even as the costs of running a medical practice have continued to climb. Physicians are the only Medicare provider type that does not receive an annual payment update tied to inflation. At the same time, the budget neutrality requirements governing the Medicare Physician Fee Schedule (MPFS) have compounded this problem, triggering across-the-board conversion factor reductions that undermine the financial stability of physician practices year after year. These persistent payment cuts have real consequences for patient access to physician services. This important legislation directly addresses the structural flaws driving these outcomes and advances several targeted, complementary reforms to improve the stability and accuracy of the MPFS.

The AMA strongly supports the two-year look-back period for the CMS to correct utilization misestimates prospectively. This targeted modification addresses statutory budget neutrality requirements within the MPFS, which currently implement certain services based on sometimes inaccurate utilization predictions, leading to compounding financial losses. Currently, there is no systematic process to reconcile the difference, meaning physicians may be penalized indefinitely for estimation errors that have

nothing to do with the care they provide. The AMA has long advocated for this type of correction mechanism, and we are pleased to see it incorporated into this legislation.

Clinical staff wage rates, medical supply prices, and equipment prices often reflect data that is years out of date, creating inaccurate perceptions about the relative resource costs of different services and leading to large, disruptive redistributions when updates eventually occur. By requiring CMS to update all categories of direct cost inputs simultaneously and at least once every five years, the bill introduces a systematic, transparent, and less disruptive approach to keeping practice expense data current and accurate. It also directs the agency to consult with physician specialty societies when undertaking this work. The AMA strongly supports this provision and encourages robust engagement from interested parties as CMS implements these updates.

The current $20 million threshold, unchanged since 1992, is woefully outdated and bears no relationship to the size and complexity of today's MPFS. By raising the threshold to $54.3 million beginning in 2027 and indexing it every five years to the Medicare Economic Index (MEI), the legislation introduces long-overdue modernization that will reduce the frequency and severity of across-the-board conversion factor cuts triggered by budget neutrality requirements.

The AMA also supports the bill's guardrails against dramatic positive or negative changes to the MPFS by capping the year-to-year variance in the conversion factor at 2.5 percent. This limitation excludes statutory increases for the Merit-based Incentive Payment System or Alternative Payment Models and future MEI adjustments, providing a more predictable and stable financial environment for physicians.

The AMA strongly urges the passage of the Provider Reimbursement Stability Act of 2025 as part of a broader reform agenda including an annual inflationary update to Medicare physician payments tied to the MEI. In accordance with these goals, the reforms in this bill would aid in the alignment of physician payments with the principles outlined in the AMA's Characteristics of a Rational Medicare Physician Payment System which have been endorsed by over 120 state medical and national specialty societies. These principles serve as the basis for improving Medicare physician payment into a system that is adequate, stable, predictable, and reflective of the actual costs of delivering care.

The AMA commends your leadership in introducing S. 5180 and urges your colleagues to act swiftly to advance it. Physicians and their patients cannot afford further delays. Thank you for your commitment to ensuring a stable, sustainable Medicare program. We look forward to working with you to advance this critical legislation. Please reach out to me directly at 312-464-5288 or John.Whyte@ama-assn.org if you have questions or need further information.

Sincerely,

John Whyte, MD, MPH