

Physician Fee Schedule Reform Urgently Needed to Provide Payment Stability



The Problem: “Budget-Neutrality” Coupled with a PFS That Has Not Kept Up With Inflation

BUDGET-NEUTRALITY CUTS TO OFFICE-BASED SPECIALISTS MUST STOP

While “budget-neutrality” sounds like good policy, when it operates within a Physician Fee Schedule that has not kept up with inflation, it results in massive swings in reimbursement and punishes providers irrespective of the value they add to the healthcare system. This is because, while reimbursement under the overall Physician Fee Schedule has increased 11 percent over the last two decades, the cost of running a medical practice has increased 39 percent over that same period (see AMA’s “Medicare Updates Compared to Inflation” chart on the last page).

As a result of budget-neutralizing an underfunded system, the 2021 Physician Fee Schedule (PFS) Rule cut the conversion factor by 10% after an update to E/M data, which had a disproportionate impact on non-primary care providers. For example, physical therapists, who make on average roughly \$89,000 per year, were cut 9% while primary care providers, who make \$241,000 per year, saw a historic increase in reimbursement.¹ Indeed, 2021 PFS cuts were so significant Congress phased them in with the first tranche occurring in 2021, the second tranche occurring in 2022 and the next tranches now set to occur in 2023 (3%) and 2024 (3%).²

The 2022 PFS cut office-based specialists still further due to a 24% cut to the PFS direct adjustment factor, again due to so-called “budget-neutrality” provisions relating to an update to clinical labor data. As a result of the 2022 PFS, office-based specialists providing care to patients with cancer, end-stage renal disease, fibroids, as well as limb salvage and venous ulcer needs, will see their reimbursement decreased in some cases by more than 20% through 2025 on top of other aforementioned cuts to the conversion factor. Moreover, it is critical to understand that for many office-based specialists, these cuts also come on top of still further cumulative cuts of up to 60% since 2006 (see HMA’s “Significant Specialty Variation” chart on the last page).

STOP ONGOING PFS CUTS AND WORK ON PFS REFORM

We urge Congress to stop (1) remaining PFS conversion factor cuts in 2023 and 2024 and (2) work on fundamental PFS reform.

We urge Congress to respond to broad, bipartisan calls for PFS reform by hearing the request of 247 Members of Congress who, in an October 2021 letter asked for “long- term reform ... as soon as possible” and 96 physician stakeholder groups who, in a February 2022 letter, asked for “formal proceedings (hearing, roundtables, expert panels, etc.) to discuss potential reforms to the Medicare physician payment system.”³ In March 2022, Secretary Becerra also indicated an interest in working on PFS reform.⁴ APTQI welcomes the opportunity to be a part of formal proceedings relating to broad reform of the Physician Fee Schedule.

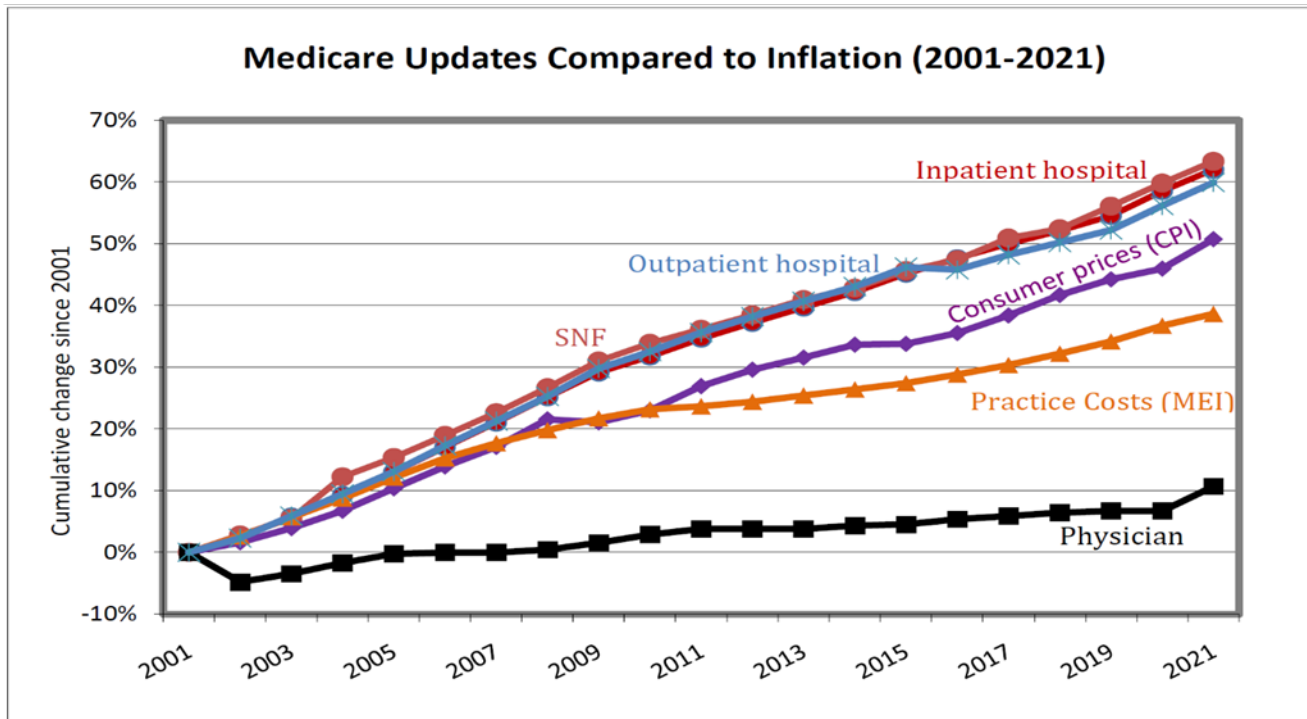
¹ Primary care has kept up with practice costs (e.g. family practice has seen cumulative PFS increases of 36% since 2006). It is non-primary care providers which have been most impacted by the underfunding of practice costs in the PFS.

² Cuts were phased-in through H.R. 133 in 2020 and S. 610 in 2021.

³ Reps. Bera-Bucshon and Medicare Payment Coalition letters to Congressional Leadership.

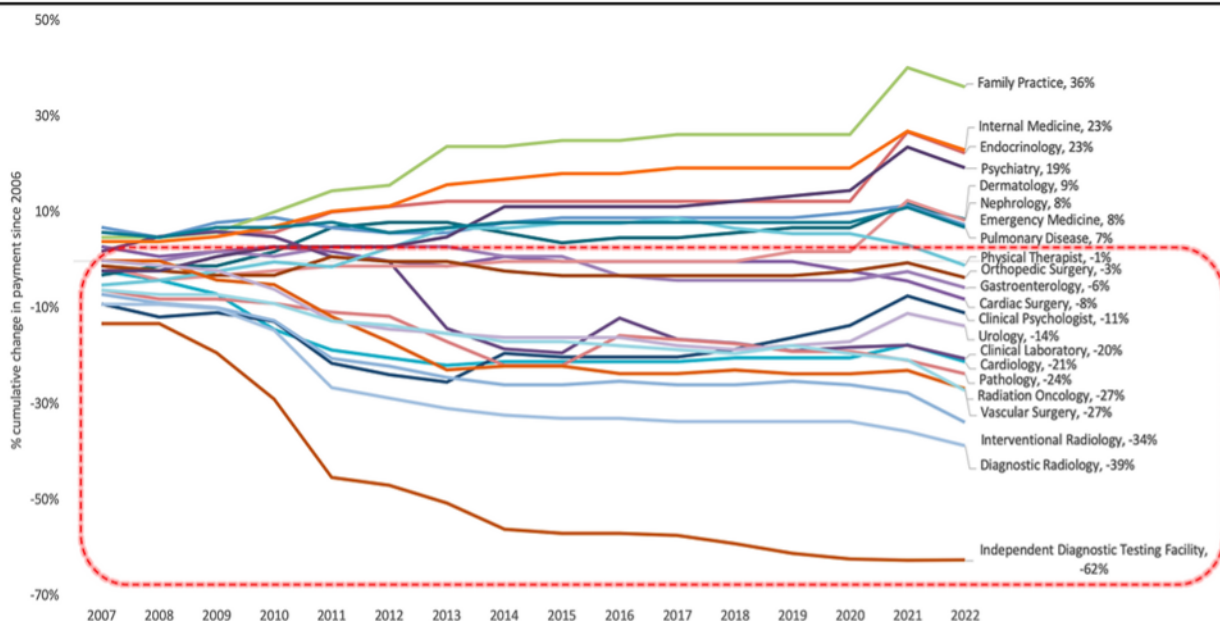
⁴ *Inside Health Policy*, Becerra Hopes To Work With Congress To Reform Medicare Doc Pay, 17 March 2022.

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Sources: Federal Register, Medicare Trustees' Reports and U.S. Bureau of Labor Statistics

Significant Specialty Variation in Estimated Payment Changes since 2006



Source: HMA analysis 2007-2022 Medicare Physician Fee Schedule Final Rule Impact Tables. 2021 and 2022 values adjusted for effects of Consolidated Appropriations Act of 2021, including the delayed effect of G2211 until 2024 which, if implemented as proposed, will reduce payments to many specialties that are already at zero percent or lower and increase payments to many specialties that are above zero percent.