

Stop Cuts to Medicare Physician Payment

Congress must act before the end of the year or physicians will face significant cuts to Medicare payment stemming from both sequestration and budget neutrality requirements in the Physician Fee Schedule.

MEDICARE PHYSICIAN PAYMENT

For more than 20 years, Medicare payments have been under pressure from Centers for Medicare & Medicaid Services (CMS) anti-inflationary payment policies. While physician services represent a very modest portion of the overall growth in healthcare costs, they are perennial targets for cuts when policymakers seek to tackle spending. Although surgeons and physicians in general were largely successful in avoiding direct cuts to reimbursements caused by the Sustainable Growth Rate factor, which was enacted in 1997 and repealed in 2015, Medicare physician payments have remained constrained by a budget-neutral financing system. Updates to the Conversion Factor (CF) have failed to keep up with inflation and the result is that the CF today is only about 50% of what it would have been if it had simply been indexed to general inflation starting in 1998.

EXPIRING RELIEF FROM PAYMENT CUTS

The Calendar Year (CY) 2021 Physician Fee Schedule (PFS) rule finalized by CMS included increases to reimbursement for evaluation and management services, which in turn required decreases to the CF used in the PFS due to the statutory "budget neutrality" requirement. The Consolidated Appropriations Act of 2021 (Public Law No: 116-260) mitigated the impact of the cuts to most surgical specialties by providing a 3.75% payment adjustment to all PFS services in 2021. Unfortunately, the CY 2022 PFS Proposed Rule, which is expected to be finalized later this year, does not maintain the 3.75% payment adjustment. Because of this, similar relief will need to be provided for 2022 and beyond.

SEQUESTRATION

In order to reduce the deficit, the Budget Control Act (BCA) of 2011 mandated federal budget cuts totaling more than \$1 trillion over nine years, including the 2% annual cuts to Medicare payments. Congress delayed those cuts through March 31, 2021, with a provision in last year's Coronavirus Aid, Relief, and Economic Security Act. In April, Congress and the President again extended the moratorium on the 2% cuts until December 31, 2021 (Public Law No: 117-7).

In addition to the BCA, the Statutory Pay-As-You-Go (PAYGO) Act of 2010 requires that mandatory spending and revenue legislation not increase the federal budget deficit over a 5- or 10-year period or such spending will trigger sequestration. Earlier this year, Congress passed the American Rescue Plan (Public Law No: 117-2) triggering PAYGO and requiring additional cuts to Medicare payment capped at 4%.

Taken together, the expiration of the CF adjustment, BCA sequestration, and the sequestration as triggered by PAYGO amount to a nearly 9% cut to Medicare physician payment beginning January 1, 2022.

CONGRESSIONAL ASK

Congress must address the expiring CF adjustment, the BCA sequester, and PAYGO before the end of the year or physicians will face significant cuts to Medicare payment.