

March 15, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader Schumer, Leader McCarthy, and Leader McConnell:

On behalf of our physician and medical student members, the American Medical Association (AMA) is deeply concerned that the Medicare Payment Advisory Commission (MedPAC) report released today underscores the systemic shortcomings of the current Medicare physician payment system. The MedPAC report contains a recommendation to continue the freeze on Medicare physician payment rates under current law. This recommendation would imperil patient access to high-quality care as the costs to practice medicine continue to rise. Physicians have been enduring an increasing financial instability of the Medicare physician payment system due to a confluence of fiscal uncertainties related to the COVID-19 pandemic, statutory payment cuts, consistent lack of inflationary updates, and significant administrative barriers. **Freezing physician payment is also impossible to reconcile when viewed against the nearly eight percent payment increase the Centers for Medicare & Medicaid Services projects for Medicare Advantage plans in 2023.**

Based on an analysis of data from the Medicare Trustees, Medicare physician payment has been reduced 20 percent, adjusted for inflation, from 2001–2021 (see attached chart 1). Also, **the Medicare physician payment system is lacking an adequate annual physician payment update similar to other Medicare providers** (see attached chart 1). In addition, Medicare spending per enrollee has been falling for physician payment schedule services even as it has risen steeply for other Medicare benefits (see attached chart 2). Furthermore, a continuing statutory freeze in annual Medicare physician payments is scheduled to last 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. Current government data on key elements of the Medicare Economic Index make it clear that, without an inflation-based update, the gap between frozen physician payment rates and rising inflation in medical practice costs will widen considerably (see attached chart 3).

In addition, according to a May 2021 [JAMA Health Forum study](#), it costs an estimated \$12,811 and more than 200 hours per physician per year to comply with the Medicare Merit-Based Incentive Payment system. Most physicians still have not had opportunities to transition to value-based Medicare Advanced Alternative Payment Models (AAPM), as Congress intended, and have not been eligible for the annual incentive payments for AAPM participants.

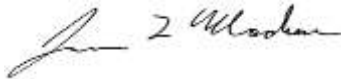
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In addition to being asked to do more with fewer resources each year, physicians continue to face significant clinical and financial disruptions during the COVID-19 pandemic. In 2020, according to an [AMA study](#), there was a \$13.9 billion decrease (equating to a 14 percent reduction) in Medicare physician payment schedule spending as patients delayed treatments. Burnout, stress, workload, and fear of COVID-19 infection are leading one in five physicians to [consider](#) leaving their current practice within two years.

The AMA greatly appreciates that Congress averted the nearly 10 percent cut to physician payment in 2022 and provided financial relief throughout the pandemic. However, **it is urgent that Congress work with the physician community to develop solutions to the systematic problems with the Medicare physician payment system and preserve patient access to care.** At a minimum, Congress must establish a stable, annual Medicare physician payment update that keeps pace with inflation and practice costs and allows for innovation to ensure Medicare patients continue to have access to physician practice-based care.

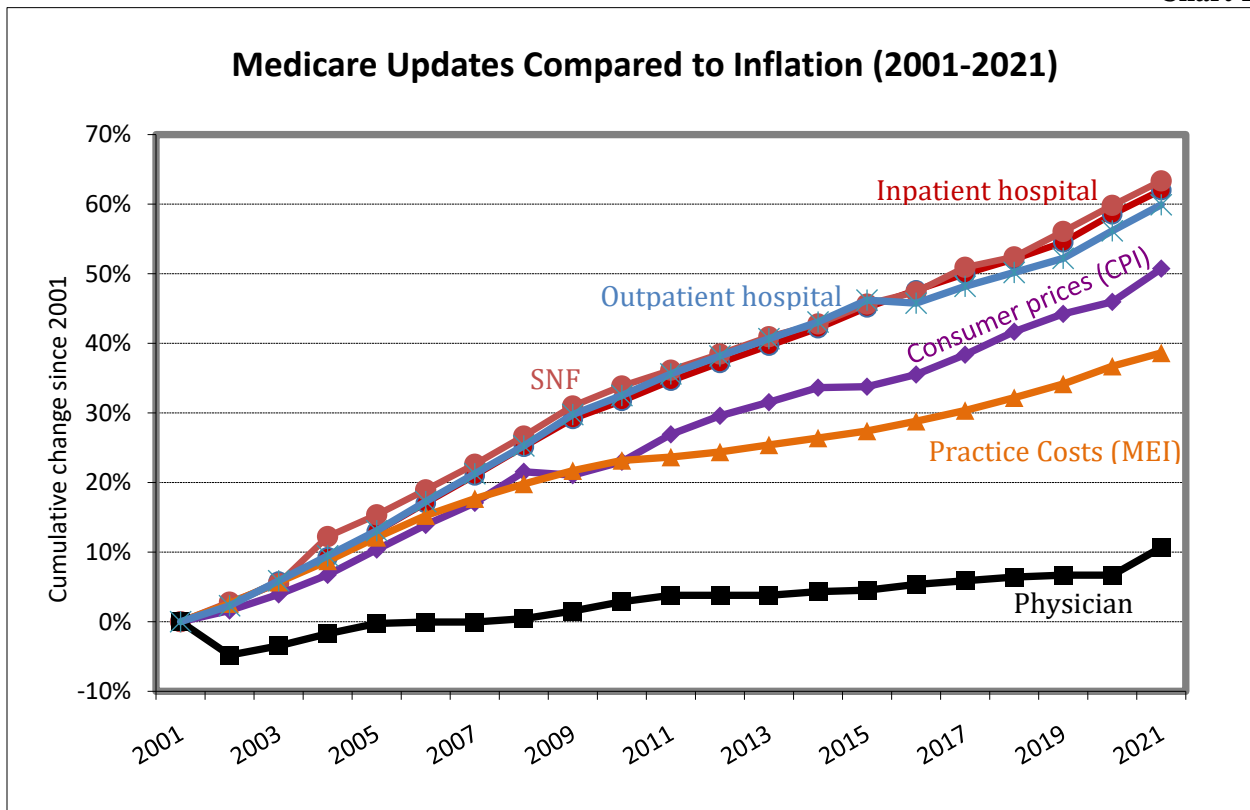
Sincerely,

A handwritten signature in black ink, appearing to read "James L. Madara".

James L. Madara, MD

Attachments

Chart 1



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

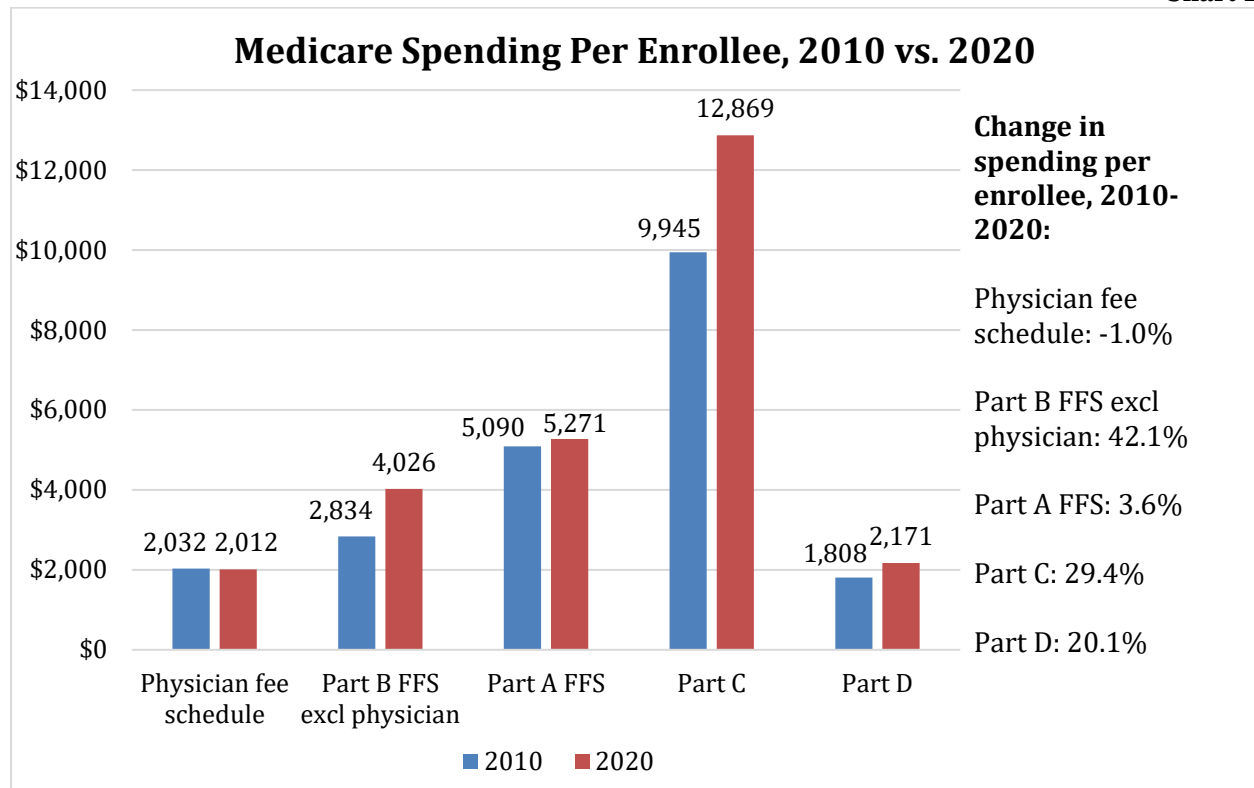
According to data from the Medicare Trustees, Medicare physician pay has increased just 11 percent over the last two decades, or 0.5 percent per year on average. And roughly one-third of that increase is the temporary 3.75 percent update for 2021 that will expire in 2022. In comparison:

- Medicare hospital updates totaled roughly 60 percent between 2001 and 2021, with average annual increases of 2.4 percent for both inpatient and outpatient services.
- Medicare skilled nursing facility (SNF) updates totaled more than 60 percent between 2001 and 2021, or 2.5 percent per year.
- The cost of running a medical practice increased 39 percent between 2001 and 2021, or 1.6 percent per year. Inflation in the cost of running a medical practice, including increases in physician office rent, employee wages, and professional liability insurance premiums, is measured by the Medicare Economic Index or MEI.
- Economy-wide inflation, as measured by the Consumer Price Index, increased 51 percent over this period (or 2.1 percent per year).

As a result, Medicare physician pay does not go nearly as far as it used to. Adjusted for inflation in practice costs, Medicare physician pay declined 20 percent from 2001 to 2021, or by 1.1 percent per year on average.

American Medical Association, Economic and Health Policy Research, October 2021

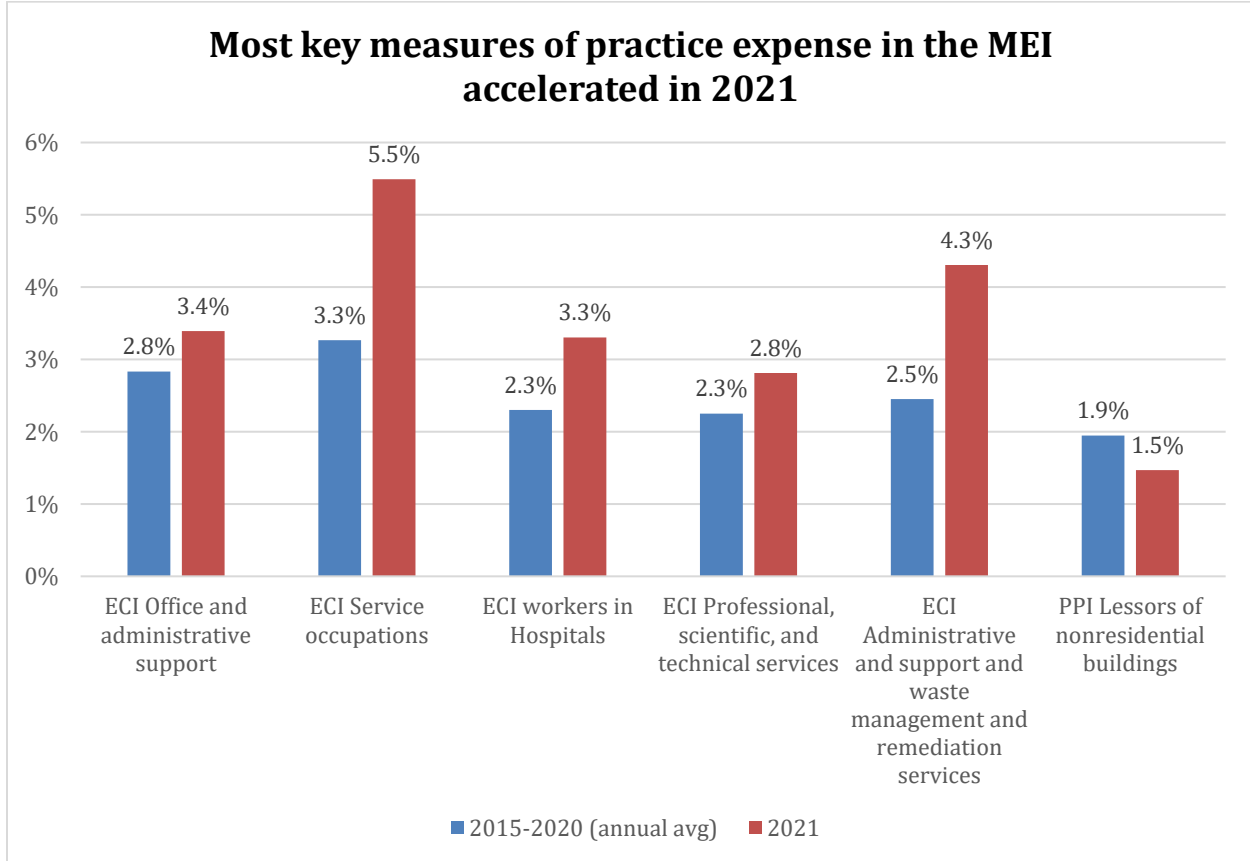
Chart 2



Source: 2020 and 2021 Medicare Trustees' reports. Note: Part C figures consist of Part A and B spending for Medicare private health plan enrollees.

- Medicare physician fee schedule spending per enrollee decreased 1.0 percent over the last decade, from \$2,032 in 2010 to \$2,012 in 2020 for an average annual change of -0.1 percent.
- In comparison, spending per enrollee has increased over this period for other components of Part B:
 - *Excluding* physician fee schedule spending, Part B FFS spending per enrollee increased 42.1 percent from 2010 to 2020.
 - Outpatient hospital and physician-administered drugs have been the fastest growing components of Part B FFS over the last decade, with cumulative spending growth of 85.1 percent and 111.0 percent, respectively.
- Spending per enrollee also increased in the other major components of the Medicare program:
 - Part A FFS spending per enrollee increased 3.6 percent from 2010 to 2020.
 - Part C spending per enrollee increased 29.4 percent. (Ninety-seven percent of Part C enrollees are in Medicare Advantage.)
 - Part D spending per enrollee increased 20.1 percent.
- Medicare spending decreased between 2019 and 2020 for many types of service due to the COVID-19 pandemic, including a 9.7 percent decline in physician fee schedule spending per enrollee. This decrease was larger than that in any of the other components of Medicare spending shown above. However, physician fee schedule spending growth was also low prior to the pandemic, averaging just 1.0 percent per year from 2010 to 2019, a growth rate lower than that in Parts C, D, and the rest of Part B FFS.

Chart 3



Source: U.S. Bureau of Labor Statistics

- Acceleration in wage growth may be impacting physician practices.
- This chart shows price proxies related to key components of practice expense in the MEI.
- Wages and benefits for employees of physician practices, including administrative and clinical workers, accelerated in 2021. Employment Cost Indexes (ECIs) for these occupations increased at a faster rate in 2021 than in the previous five years.
- Office rent is an exception with the price proxy for commercial rent growing at a slower rate in 2021 than in the previous five years.

American Medical Association, Economic and Health Policy Research, February 2022