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The Honorable Xavier Becerra
Secretary
U.S. Department of Health & Human Services
Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Becerra:

On behalf of the physician and medical student members of the American Medical Association (AMA), we deeply appreciate your recent comments about the need to address the instability and the continual threat of payment cuts in the Medicare physician payment schedule. We know from our discussions on the Hill that hearing from the Secretary of Health and Human Services about the potential for physicians to leave the practice of medicine due to insecurity in Medicare payments making their practice unsustainable has added tremendous credibility to this concern.

Adjusted for inflation in medical practice costs, as measured by the Medicare Economic Index (MEI), Medicare physician payment rates declined 20 percent from 2001 to 2021. Growth in key contributors to the MEI is much higher now than in previous years, which threatens to significantly widen this gap. Medicare payment rates for all Medicare services except those on the physician payment schedule, such as inpatient and outpatient hospital services and skilled nursing facility services, have updates tied to inflation. Physician payment rates have been further eroded by the manner in which rates are adjusted to meet budget neutrality requirements, as well as Medicare sequestration. As you noted in your remarks, the COVID-19 pandemic also has placed enormous stress on medical practices, with an AMA analysis of Medicare claims for physician services identifying a 14 percent reduction in 2020 due to COVID-19.

We have been engaged in a process of working with our partners in the national specialty and state medical associations to determine the best path forward to get the Medicare physician payment system on a more sustainable track. We have also been working to increase awareness of the problems in the current system among Members of Congress to build interest and support for the needed reforms. In its 2021 annual report, the Medicare Trustees expressed concern that, although the physician payment system put in place in 2015 avoided the significant short-range physician payment issues, it “nevertheless raises important long-range concerns that will almost certainly need to be addressed by future legislation.” The Trustees noted, for example, that “the law specifies the physician payment updates for all years in the future, and these updates do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases.”

We are grateful for the President’s budget including a \$3.5 billion proposal to address the incentive payments for both physicians participating in alternative payment models and those who do not. The AMA looks forward to working with you and the Department to strengthen the Medicare physician payment system. If you have any questions, please contact Margaret Garikes, Vice President for Federal Affairs, at margaret.garikes@ama-assn.org or (202) 256-6245.

Sincerely,

James L. Madara, MD