

August 12, 2024

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

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

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

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

The Honorable Roger W. Marshall  
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, Tillis, King, Marshall, and Shaheen:

On behalf of the physician and medical student members of the American Medical Association (AMA), I am pleased to offer our support for S. 4935, the “Physician Fee Stabilization Act.” This legislation would increase the budget neutrality threshold under the Medicare Physician Payment Schedule (MPFS) to \$53,000,000 in 2026 and provide regular indexing to the Medicare Economic Index (MEI). The current budget neutrality threshold, \$20,000,000, was established in 1989 and has not been increased since. The Physician Fee Stabilization Act is an important step in aligning physician payments with the principles outlined in the AMA’s [Characteristics of a Rational Medicare Physician Payment System](#), endorsed by over 120 state medical and national specialty societies, serving as the basis for improving Medicare physician payment, including the need to eliminate, replace, or revise budget neutrality requirements to allow for appropriate changes in spending growth.

While the Physician Fee Stabilization Act is an important first step, the AMA believes the bill could go further. We strongly support H.R. 6371, the “Provider Reimbursement Stability Act of 2023,” which includes additional key components to reform antiquated budget neutrality laws. In addition to increasing the budget neutrality threshold, H.R. 6371 mandates the following additional provisions:

- **A two-year look-back period for the Centers for Medicare & Medicaid Services (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.
- **That CMS make regular updates to key elements of direct practice costs** (e.g., clinical wage rates, prices of medical supplies, and equipment prices) simultaneously and no less often than

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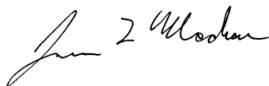
every five years to maintain accurate reimbursement rates reflecting the actual costs incurred by physicians.

- **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.

In fact, portions of the Provider Reimbursement Stability Act were already passed by the House Energy and Commerce Committee in December 2023 (H.R. 6545, the “Physician Fee Schedule Update and Improvement Act”), highlighting bipartisan support for necessary modifications to existing budget neutrality requirements. In addition, the goals of the Provider Reimbursement Stability Act are widely supported by national medical societies and state medical associations.<sup>1 2</sup>

The AMA appreciates your leadership with the introduction of the Physician Fee Stabilization Act, marking a significant step in the right direction towards overarching Medicare payment reform. We strongly urge Congress to build on this important first step and incorporate the additional provisions from H.R. 6371. Doing so will provide a more comprehensive solution to the financial challenges faced by physicians due to outdated budget neutrality requirements. The AMA stands ready to work with Congress to implement these important legislative reforms to ensure a sustainable and effective Medicare Payment System.

Sincerely,



James L. Madara, MD

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<sup>1</sup> H.R 6371 Sign-On Letter, October 31, 2023: <https://searchlf.ama-assn.org/letter/documentDownload?uri=%2Funstructured%2Fbinary%2Fletter%2FLETTERS%2Fifsobn.zip%2F10-31-2023-Signed-On-Letter-Budget-neutrality.pdf>.

<sup>2</sup> Medicare Access and CHIP Reauthorization Act Sign-On Letter, July 24, 2024: <https://searchlf.ama-assn.org/letter/documentDownload?uri=%2Funstructured%2Fbinary%2Fletter%2FLETTERS%2Fifs.zip%2F2024-7-24-AMA-Sign-On-Federation-Letter-on-MACRA-Reform-VI.pdf>.