

July 21, 2021

The Honorable Nancy Pelosi  
Speaker  
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

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

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

On behalf of the physician and medical student members of the American Medical Association (AMA), I am writing to express our deepening alarm concerning the growing financial instability of the Medicare physician payment system. Not only does Congress seem indifferent to the confluence of fiscal uncertainties confronting physician practices at the end of this year, but lawmakers' pursuit of policies to extend the current Medicare sequester that, in effect, will require physicians and health systems to pay for hard infrastructure amplifies our ongoing concerns.

On January 1, 2022, physician practices face the following stack of Medicare financial hits:

- Expiration of the current reprieve from the repeatedly extended **2 percent sequester** stemming from the Budget Control Act of 2011.
  - Congress originally scheduled this policy to sunset in 2021 but it will now continue into 2030
- Imposition of a **4 percent Statutory PAYGO sequester** resulting from passage of the American Rescue Plan Act, presumably for at least another 10 years.
  - Should lawmakers fail to act, it will mark the first time that Congress has failed to waive Statutory PAYGO
- Expiration of the Congressionally enacted **3.75 percent temporary increase** in the Medicare physician fee schedule (PFS) conversion factor to avoid payment cuts associated with budget neutrality adjustments tied to PFS policy changes.
- A statutory **freeze in annual Medicare PFS updates** under the Medicare Access and CHIP Reauthorization Act (MACRA) that is scheduled to last until 2026, when updates resume at a rate of 0.25% a year indefinitely, a figure well below the rate of medical or consumer price index inflation.

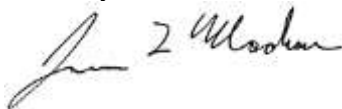
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Combined, physician practices face a 9.75 percent cut on January 1. Additionally, potential penalties under the Merit-Based Incentive Payment System (MIPS), which apply to Medicare PFS services, will increase to **9 percent in 2022**. All this financial uncertainty comes at a time when physician practices are still recovering from the financial impact of the COVID-19 public health emergency, including continued infection control protocols that, while necessary, have increased the costs of providing care. The combination of all these policies would be challenging to endure in normal times. Yet, physician practices continue to be stretched to their limits clinically, emotionally, and financially as the pandemic persists well beyond 15 months. The enactment of further Medicare payment cuts will undoubtedly threaten patient access to care, especially considering the stark reality that, adjusted for inflation in practice costs, Medicare physician payment actually *declined* 22 percent from 2001 to 2020, or by 1.3 percent per year on average.

The AMA continues to respectfully request Congress to convene hearings on the alarming state of the Medicare physician payment system, not only from a financial perspective but also related to many fundamental operational aspects. The promise of a robust and patient-centered alternative payment model pathway for physicians under MACRA has yet to be realized, leaving the majority of practices stuck in the MIPS portion of the MACRA program, with legacy and siloed cost and quality measurement programs that impose steep administrative burdens while lacking clinical relevance. We cannot achieve the promise of high-quality, coordinated care that helps patients achieve optimal health if the barriers to success in the MACRA program are not examined and addressed. The state of the program is increasingly dysfunctional and, ultimately, it will be patients who suffer.

In the interim, the AMA strongly urges Congress not to divert increasingly scarce health care dollars for non-health care purposes, especially when there are so many uncertainties and current policies are already undermining the Medicare physician payment system.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Madara". The signature is written in a cursive, flowing style.

James L. Madara, MD