# What’s wrong with Medicare physician payment?

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For the last two years, the U.S. Congress has failed to stop in their entirety repeated across-the-board pay cuts that further threaten Medicare access to high-quality physician care, especially for patients in rural, underserved or economically marginalized areas.

In 2023, it was a 2% pay cut that took effect. And this year, physicians are seeing another 1.68% pay cut. The cuts come after the peak of the COVID-19 pandemic, amid physician and health worker shortages and rising inflation, and as the Change Healthcare cyber outage poses huge disruptions to the medical claims-processing systems.

“The need to stop the annual cycle of pay cuts and patches and enact permanent Medicare payment reforms could not be more clear,” AMA President Jesse M. Ehrenfeld, MD, MPH, said last month following the House vote on the government-funding deal that reduced the 2024 Medicare pay cut by about half.

While the AMA is working relentlessly to build understanding on Capitol Hill about the unsustainable path the Medicare payment system is on, preventing further cuts means getting to the root causes of what’s wrong with Medicare physician payment.

That is why the AMA created the Medicare Basics series, which provides an in-depth look at important aspects of the Medicare physician payment system. With these six straightforward explainers, policymakers and physician advocates can learn about key elements of the payment system and why they are in need of reform.

## 1 Medicare physician payment adequacy—Budget neutrality

As one of the few Medicare providers without a payment update tied to inflation, physicians have watched their inflation-adjusted payments fall dramatically since 2001. Physician payments are further eroded by frequent and large payment redistributions caused by budget-neutrality adjustments.

## 2 Merit-based Incentive Payment System (MIPS)

Although MIPS is well-intentioned, its reporting requirements are burdensome to physician practices and often appear to be clinically irrelevant. Congress must step in and act to prevent unsustainable penalties, invest in and enable the move to value-based care, and increase transparency and oversight in the program.

## 3 The Medicare Economic Index (MEI)

Since 1992, the role of the MEI in shaping Medicare physician payment has diminished dramatically, first under the sustainable-growth rate (SGR) and then under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015. Physicians need an annual inflationary update, which will allow practices to better absorb other payment redistributions triggered by budget neutrality rules and performance adjustments, as well as periods of high inflation and rising staffing costs.

## 4 Advancing value-based care with alternative payment models

Alternative payment models (APMs) are a key approach to achieving value-based care by providing incentive payments to deliver high-quality and cost-efficient care for a clinical condition, a care episode or a patient population.

## 5 Transitioning to value-based care: Clinical data registries

The Centers for Medicare & Medicaid Services' (CMS) clinical data registry approval process under the MIPS program is complex and cumbersome, and the lack of accessible cost data inhibits progress toward true value-based care. As a result, physicians' ability to leverage their participation in these quality improvement efforts for MIPS and engage in

continuous learning has been limited.

## 6 MIPS data problems

Value-based care relies on data. To be successful, physicians in MIPS need access to a wide range of information on a timely basis to understand gaps in care and identify opportunities to improve health outcomes, reduce variations in care delivery or eliminate avoidable services—all steps that can lower costs for patients and the Medicare program.

Leading the charge to reform Medicare pay is the first pillar of the AMA Recovery Plan for America's Physicians.

The AMA has challenged Congress to work on systemic reforms and make Medicare work better for you and your patients. Our work will continue, fighting tirelessly against future cuts—and against all barriers to patient care.