MEDPAC VOTES TO RECOMMEND LINKING PHYSICIAN DOC PAY TO MEI, LOBBYISTS PUSH CONGRESSIONAL REFORM

The Medicare Payment Advisory Commission (MedPAC) unanimously voted on January 16 to recommend that Congress tie next year's physician payment update to the Medicare Economic Index (MEI) minus one percentage point, which would result in a 1.3% increase, and introduce safety-net add-on payments for clinicians providing care to low-income Medicare fee-for-service (FFS) beneficiaries.

This comes as lobbyists urge Congress to revive stalled legislative efforts to at least partially reverse the 2.8% cut to physician payment effective January 1, 2025 and push forward reforms that would tie future payment updates to inflation.

The Commission first proposed establishing add-on payments in 2023 for all physician fee schedule services provided to low-income FFS Medicare beneficiaries, defined as those receiving Medicaid benefits and/or Part D low-income subsidies, in an effort to improve access to care for that population. This included a 15% add-on for primary care clinicians and a 5% add-on for all other clinicians.

The two-part draft recommendation is expected to boost average FFS payments by 3%, with primary care clinicians seeing a 5.7% increase and other clinicians a 2.5% rise, according to the commissioners. The proposal would increase federal spending by $2-5 billion in the first year and $10-25 billion over five years, they predict.

Lobbying groups like the American Medical Association (AMA) praised the Commissioners for recommending tying physician payment updates to the MEI, which is the measure of inflation in the costs of goods and services used to deliver medical care.

AMA President Bruce Scott said Congress should follow MedPAC's lead and overhaul the physician payment system -- including by tying payment to inflation -- in the current legislative session. "When MedPAC forwards its report to Congress in March, the AMA hopes that lawmakers heed MedPAC's analysis concluding that Medicare payment to physician practices under current law is inadequate and downright threatening to patient access to care," Scott said in a statement.

Scott also said AMA is still working to reverse the 2.83% cut, which went into effect January 1, 2025 after President-elect Donald Trump and Elon Musk scuttled a bipartisan agreement to partially offset the cuts. "Unfortunately, in December, Congress failed to stop another cut in Medicare payments for a fifth consecutive year -- this time by 2.8% -- despite practice costs rising by 3.5% according to Medicare's own estimate," he said. "The AMA is working to reverse those cuts."

The AMA isn't alone: Last week, the Medical Group Management Association (MGMA) urged congressional leaders to immediately fix the payment cuts. Medical groups are already feeling the financial strain from the reduced reimbursements, MGMA says. The uncertainty and budget shortfalls faced by physician groups not only come from Medicare but from the commercial and Medicaid rates that are tied to the federal program, according to the lobbying group.

It's unclear if Congress could move a stand-alone bill that would fix physician payment. But the December continuing resolution (CR) expiring March 14 gives stakeholders another crack at squeezing their priorities into a must-pass bill.

Congress will also need to decide whether to fix physician pay prospectively or respectively. A retroactive fix would apply the adjustment to all Medicare claims for 2025, including those already processed. That would require CMS to reprocess these claims -- a costly and time-intensive process that could delay payments to clinicians. On the other hand, a prospective fix would only adjust payments for claims submitted after the date of the fix's enactment, which would avoid the administrative burden of reprocessing the claims but also limit the scope of relief for earlier claims.

Congress opted for a prospective approach in 2024, which suggests lawmakers may choose this method again due to its practicality and lower costs. But whether the adjustment for 2025 exceeds the 2.5% partial fix nearly provided last year remains an open question.