

Leadership Day, May 17-18, 2022

## Physician Payment

Internal medicine physicians use their scientific knowledge, clinical expertise, and compassion to deliver care to healthy adults as well as those with complex illness. They remain on the front lines of diagnosing and treating patients with COVID-19 and spend a significant amount of time managing and coordinating the care of patients with chronic illnesses such as cancer, heart disease, and diabetes. The role of internal medicine physicians in managing these illnesses is critical as six in ten American adults have at least one [chronic disease](#) and four in ten have two or more, and at \$3.3 trillion in annual health costs, chronic disease is responsible for 75 percent of aggregate national [health care spending](#) and is the largest cause of [disability and death](#). Despite these trends, the care provided by internal medicine physicians has not been adequately valued by the federal government.

A 2021 [report](#) by the National Academy of Sciences, Engineering, and Medicine, calls on policymakers to increase investment in primary and comprehensive care as evidence shows that it is critical for “achieving health care’s quadruple aim (enhancing patient experience, improving population, reducing costs, and improving the health care team experience). As explained in the report, the Medicare physician payment system undervalues primary and cognitive care and does not incentivize the type of quality, value-based care that patients need. The Medicare fee-for-service (FFS) payment system bases reimbursement for physicians and other clinicians on the number of appointments, tests, or procedures rendered (i.e., volume) rather than the quality or appropriateness of those services, contributing to suboptimal outcomes (i.e., value). It undervalues the work of internal medicine physicians who utilize fewer procedures but deliver care through evaluation and management (E/M) services (office-based visits with patients) that are used to provide preventive care as well as manage and coordinate care for patients with complex chronic conditions. In addition, internal medicine physicians must also contend with a Medicare payment system that has failed to keep up with the pace of inflation. According to an analysis published by the American Medical Association, Medicare physician payments have been reduced by 20 percent adjusted for inflation from 2001–2021. In the long term, that is simply unsustainable.

As we enter the third year of the public health emergency (PHE) due to the COVID-19 pandemic, we are encouraged that the severity of the virus continues to decline, due largely to the success of vaccines and anti-viral medications. That said, physician practices continue to struggle financially from the impact of COVID-19, many of which have remained viable only because of stimulus dollars and ongoing flexibilities granted by the federal government during the PHE, as noted below. [Studies](#) show that over the course of calendar year 2020, primary care practices were expected to lose more than \$67,000 in gross revenue per full time equivalent physician. While many practices are starting to [rebound](#), they now face mounting expenses and labor shortages, and the cumulative impact of the pandemic has taken a significant toll on the health and well-being of our physicians as they suffer from mounting stress, burnout, and fatigue.

## Overview of Congressional Action

Late last year, ACP supported the *Protecting Medicare and American Farmers from Sequester Cuts Act* (S. 610), legislation that was passed by Congress and signed into law to temporarily avert a nine percent cut in Medicare physician payments that was scheduled to take effect on January 1, 2022. These cuts, as detailed below, stem from a very complex set of budgetary rules and systemic flaws within the Medicare physician fee schedule itself that, unless addressed in a comprehensive way, will continue to plague physicians for years to come. Specifically, S. 610 provided a 3-month delay (Jan. 1, 2022–Mar. 31, 2022) of a 2.0 percent

Medicare sequester payment reduction, a subsequent 3-month delay (Apr. 1, 2022 – June 30, 2022) of a 1.0 percent Medicare sequester payment reduction, and a delay (which could be triggered in 2023) of the 4.0 percent Pay-As-You-Go cuts derived from budget deficit projections in the American Rescue Plan Act. It also continued through 2022 a 3.0 percent conversation factor increase for all services under the physician fee schedule. Unfortunately, the delay in these cuts is only temporary so prompt action by Congress is needed this year in order to prevent further financial strain on physician practices at a time when patient care is so vital.

ACP is pleased that the 117<sup>th</sup> Congress and the previous Congress took steps to financially assist physician practices during the COVID-19 pandemic through new programs like the Provider Relief Fund, the Paycheck Protection Program, expanded telehealth flexibilities, loan forgiveness, and temporary relief from payment cuts, all of which ACP supported. It remains critically important however that the federal government help sustain physician practices going forward so they can continue to care for patients, and particularly, to support the value of primary and comprehensive care by internal medicine physicians, other primary care specialties, and their clinical care teams.

ACP has been actively engaging with the key health care committees of jurisdiction in Congress to address both short-term and long-term solutions to the physician payment systems under both Medicare and Medicaid. Most recently, ACP submitted a [statement](#) to the Senate Finance Committee in response to its efforts to address Medicare financing and the long-term viability of the program. ACP has also been leading efforts, in collaboration with a coalition of allied organizations, to urge congressional committees to exercise their oversight authority in the continued implementation of the Medicare Access and CHIP Reauthorization Act (MACRA), legislation that was signed into law in 2015 that fundamentally restructured the Medicare physician payment system. ACP believes that Congress would be wise to bring in stakeholders to examine how this law is currently functioning and how it could be improved.

### Request of Congress

- ✓ **Support inclusion in must-pass legislation this year provisions to provide financial stability through a baseline positive annual update to the physician fee schedule reflecting inflation in practice costs, and eliminate, replace or revise budget neutrality requirements to allow for appropriate changes in spending growth. Additionally, this legislation should extend the moratoriums on sequester and PAYGO cuts that were approved by Congress at the end of last year.**

**Additional policy priorities can be found at:** [Policy Priority Issues | ACP Services](#)