

## Mitigating Medicare Physician Payment Cuts

**Background:** In 2019, CMS finalized broad changes related to Evaluation and Management (E/M) services to reduce administrative burden, improve payment rates, and reflect current clinical practice. The health care community supported restructuring and revaluing the office-based E/M codes, which sought to increase payments for primary care and other office-based services. Unfortunately, by law, any changes to the Medicare Physician Fee Schedule (MPFS) cannot increase or decrease expenditures by more than \$20 million without triggering automatic budget neutrality adjustments. At the time, CMS estimated that the 2021 policies would increase Medicare spending by \$10.2 billion. In addition, CMS finalized G2211 (previously GPC1X), an add-on code designed to reflect visit complexity inherent to E/M. This code was entirely generated by CMS, did not go through the RUC/CPT valuation process and is duplicative as it relates to the underlying changes that were made to the E/M codes. These two policies contributed in large part to the steep cut in the Medicare conversion factor, which was scheduled to decrease from \$36.0896 to \$32.2605, or a 10.6 percent decrease.

**Issue:** During the final days of the 116th Congress, a broad bipartisan effort ensured language was included in the Consolidated Appropriations Act, 2021 (P.L. 116-260) that helped alleviate devastating payment cuts to providers across the health care delivery system set to take effect on January 1, 2021. This bipartisan effort avoided significant disruptions to care for Medicare beneficiaries, reduced the level of 2021 cuts to many providers, supported small health care businesses — especially in rural and underserved areas — and provided a lifeline for health care providers who were, and are, still reeling from the impact of the current COVID-19 pandemic. Congress' year-end efforts to mitigate these scheduled cuts included:

- **Applying a 3.75% across the board payment increase to the Medicare Physician Fee Schedule's (MPFS) 2021 conversion factor**
- **Suspending payments for new code G2211 for 3 years (through the end of December 2023).**

Moving forward, Congress must recognize the need for critical reforms to the MPFS system, including addressing the budget neutrality requirement which can lead to arbitrary reductions to reimbursement unrelated to the cost of providing care. The primary goal of the MPFS must be to encourage broad participation of health care providers to deliver appropriate and timely quality care to meet the health needs of Medicare beneficiaries, especially as long-term effects of COVID-19 remain unknown. A secondary goal of the fee schedule should be to reflect the modern health care delivery system in which different health care professionals work collaboratively to advance appropriate health outcomes for their patients. Unfortunately, these goals are not reflected currently given that there are additional scheduled deep cuts to Medicare providers for 2022, 2023 and 2024 that will negatively impact patient care and diminish practitioners' small businesses, further slowing our nation's health and economic recovery from the pandemic.

**Congressional Recommendations (House and Senate):** We urge Congress to consider additional policy options in the year ahead to address these shortcomings, such as:

- Retain the current 3.75% increase to the MPFS conversion factor (CF) in 2022 to ensure fiscal stability for physicians and practices.
- Consider long-term reforms to mitigate major shifts within the MPFS, including the exploration of alternatives to the statutory requirements for budget neutrality.
- Waive statutory PAYGO requirements associated with the American Rescue Plan Act to avert an automatic 4% payment reduction in 2022.