March XX, 2024

The Honorable Catherine Cortez Masto The Honorable Marsha Blackburn

U.S. Senate U.S. Senate

520 Hart Senate Office Building 357 Dirksen Senate Office Building

Washington, DC 20510 Washington, DC 20510

The Honorable John Thune The Honorable John Barrasso, MD

U.S. Senate U.S. Senate

511 Dirksen Senate Office Building 307 Dirksen Senate Office Building

Washington, DC 20510 Washington, DC 20510

The Honorable Debbie Stabenow The Honorable Mark Warner

U.S. Senate U.S. Senate

731 Hart Senate Office Building 703 Hart Senate Office Building

Washington, DC 20510 Washington, DC 20510

Dear Senators Cortez Masto, Blackburn, Thune, Barrasso, Stabenow, and Warner:

On behalf of the undersigned organizations representing surgeons and anesthesiologists, thank you for your attention to the urgent need for Medicare physician payment reform. As you know, our physician members have faced repeated cuts to their Medicare reimbursement year after year, negatively impacting their ability to invest in quality improvement efforts to benefit Medicare patients or transition to alternative payment models (APMs) when appropriate. While the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015 was intended to speed the transition to a value-based payment system, implementation has fallen short. Many physicians remain locked into a budget-neutral, fee-for-service (FFS) system that results in frequent steep cuts and still fails to adequately incentivize quality or value. A shift in policy direction is necessary to provide Medicare patients with high-quality, patient-centered, value-based care, which is the ultimate goal.

Our organizations recognize the recent efforts of Congress to alleviate the Medicare physician payment cuts. While the adjustment reduces the cut to the conversion factor by an additional 1.68% for the remainder of 2024, this only represents approximately half of the 3.37% cut that went into effect earlier this year and is simply insufficient. Since 2001, physicians have seen their Medicare payments decrease by nearly 30%, after adjusting for inflation. These cuts are a direct result of the budget neutrality requirement of the physician fee schedule (PFS) coupled with a lack of regular updates. This budget neutrality requirement is unique to the Medicare PFS and requires the Centers for Medicare & Medicaid Services (CMS) to implement across-the-board cuts if changes to the PFS cause expenditures to grow in excess of $20 million annually. This trigger amount has remained the same since its implementation in 1992 and must, at a minimum, be increased and indexed to adjust for inflation moving forward.

The negative impact of the budget neutrality requirement is further compounded by the lack of an inflation-based update to the PFS. MACRA included only a 0.25% annual update to the PFS for those in FFS Medicare and updates don’t begin until 2026. Therefore, under current law, and assuming no additional cuts result from budget neutrality or other policy decisions, it would take decades for the PFS conversion factor to return to the same amount it was in the year 2000. Over that same period, inflation will have significantly eroded the value of payments. An annual update to the PFS comparable to that in other payment programs will help ensure that payments keep pace with medical cost inflation.

In addition to stabilizing the payment system for the near term, Congress must build on the intent of MACRA to better support physicians to transition to value-based payment. Today, nearly a decade after the passage of MACRA, many physicians wishing to move beyond FFS will find a lack of viable APMs. CMS and the Innovation Center have not tested or implemented even a single APM recommended by the Physician-Focused Payment Model Technical Advisory Committee (PTAC). These models have been developed by physician experts focused on the interests of their patients and this lack of action on the part of CMS represents another unfortunate example of the many shortcomings of MACRA implementation.

We urge Congress to consider long-term reforms to physician payment to address the concerns described above. In doing so it is vital that the focus be on creating a stable environment that allows multiple physician practice models — independent private practice or hospital/hospital system employment — to thrive. Failure to do so will contribute to the ongoing, costly consolidations of the health care delivery system, hinder patient access to the physician of their choice, and hamper efforts to move toward safe, accountable, high-quality care.

Thank you for your commitment to reforming the Medicare payment system and supporting physicians and the patients they serve. We look forward to working together on solutions to address the short-term and long-term stability of the Medicare physician payment system.

Sincerely,

American College of Surgeons