

Medicare Payment Rates Require Reform

Pending Cuts Will Only Exacerbate Already Low Rates

Medicare payment rates are a longstanding challenge for many physician practices. Medicare rates have consistently been undervalued and, as a result, are unsustainable for many practices. Simultaneous payment cuts scheduled for January of 2022 will exacerbate this Medicare payment problem. Congressional action is necessary to avert the payment cuts.

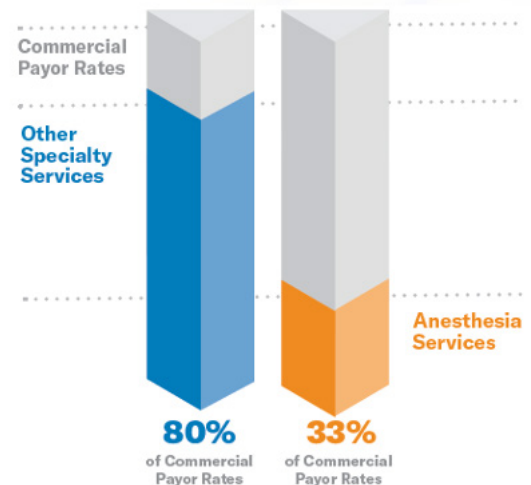
Medicare payment rates lag behind the rates of commercial insurers. Commercial insurer payment rates are tied to negotiations, relevant local market forces and the costs of services. Medicare rates are set by the Centers for Medicare and Medicaid Services (CMS) and are subject to changes unrelated to physician practices, including changes in federal law and regulation and federal budgetary requirements. Medicare rates have no direct tie to the actual costs of services and lack even an annual inflation adjustment.

According to the Medicare Payment Advisory Commission (MedPAC), on average, Medicare physician payment rates represent approximately 80% of commercial payment rates. However, there is significant variability among rates for different physicians with some physician specialty's Medicare rates far less than the MedPAC average. For example, Medicare rates for anesthesia services are uniquely undervalued and represent less than 33% of commercial insurance payments, according to a recent study by the Government Accountability Office (GAO).

This undervaluing of Medicare physician payment rates will be exacerbated in January of 2022 as a result of a series of several separate, yet simultaneous, payment cuts.

Pending cuts include:

- The expiration of the Congressional moratorium on the sequester which will trigger a **2% payment cut, in addition to...**
- The implementation of the PAY GO sequester related to the American Rescue Plan will trigger a **4% payment cut, in addition to...**
- The expiration of the Continuing Appropriations Act of 2021 provisions providing relief from CMS CY 2021 Medicare fee schedule mandated cuts will trigger a **3.75% payment cut, in addition to...**
- The CMS CY 2022 Medicare Fee Schedule Rule may include proposals for new values for certain services and/or other policy that will result in **additional payment cuts** for some medical specialties.



REQUEST:

Congress is urged to act to prevent significant Medicare physician payment cuts scheduled for January 1, 2022.