Medicare Payment Reform

Payment rates under the Medicare Physician Fee Schedule do not receive automatic increases with inflation, which has devalued Medicare Part B payments relative to inflation over the last two decades, including payment for DSMT, MNT, and other services provided by Diabetes Care and Education Specialists. Part B payments need to be given inflationary updates to protect beneficiaries’ access to care.

**Background:** Since 2020, Congress has acted annually to mitigate statutorily required reductions to the Medicare Physician Fee Schedule (MPFS) by applying a positive adjustment to the MPFS conversion factor (CF)—the basic starting point for calculating Medicare reimbursements. Most recently, as part of the Consolidated Appropriations Act of 2023, Congress added a one-time additional 2.5% to the CF for 2023 and a one-time additional 1.25% to the CF for 2024.

Additionally, in the same legislation, Congress avoided a statutorily mandated 4% Medicare reimbursement reduction resulting from budgetary Pay-As-You-Go (PAYGO) rules for 2023 and 2024. This bipartisan Congressional effort, a result of intense advocacy from the provider community, partially mitigated impending payment reductions for 2023 as well as anticipated payment reductions for 2024, providing short-term stability for providers to ensure beneficiaries continue to have access to high quality care.

**Issue:** These year-over-year bills to stave off reductions clearly demonstrate that the current Medicare physician payment system is broken. Systemic issues such as the negative impact of the MPFS’s budget neutrality requirements are amplified by the lack of a Medicare Economic Index (MEI)-based inflationary update, which would allow Medicare reimbursement to keep pace with the true cost of practice. As one of the only fee schedules without an inflationary update, providers of services under the MPFS are particularly vulnerable to compounding financial factors that generate significant instability for health care professionals and threaten beneficiaries’ timely access to essential health care services.

**House Ask:**
- Cosponsor the Strengthening Medicare for Patients and Providers Act (H.R. 2474), which adds a permanent, MEI-based inflationary update to the MPFS.
- Consider long-term reforms to mitigate major shifts within the MPFS, including exploration of adjustments to budget neutrality requirements.

**Senate Ask:**
- Introduce companion legislation to the Strengthening Medicare for Patients and Providers Act (H.R. 2474) to add a permanent, MEI-based inflationary update to the MPFS.
- Consider long-term reforms to mitigate major shifts within the MPFS, including exploration of adjustments to budget neutrality requirements.

Please contact ADCES Director of Advocacy Hannah Martin (hmartin@adces.org) with questions.