April 10, 2024

The Honorable Ron Wyden
Chairman
Senate Committee on Finance
215 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Senate Committee on Finance
215 Dirksen Senate Office Building
Washington, DC 20510

Re: MGMA Statement for the Record – Senate Committee on Finance's April 11th Hearing, "Bolstering Chronic Care through Medicare Physician Payment"

Dear Chairman Wyden and Ranking Member Crapo:

On behalf of our member medical group practices, the Medical Group Management Association (MGMA) would like to thank the Committee for the opportunity to provide feedback on bolstering chronic care through Medicare physician payment. We appreciate your leadership in holding this important hearing as it is vital that Medicare adequately reimburse physicians for their chronic care services. Significant reforms are needed to the Medicare physician payment system to stop the harmful yearly cuts and support medical groups' ability to offer high-quality care to patients with chronic conditions.

With a membership of more than 60,000 medical practice administrators, executives, and leaders, MGMA represents more than 15,000 group medical practices ranging from small private medical practices to large national health systems, representing more than 350,000 physicians. MGMA's diverse membership uniquely situates us to offer the following policy recommendations.

The *Medicare Access and CHIP Reauthorization Act of 2015* (MACRA) was enacted to repeal the flawed Sustainable Growth Rate (SGR) formula, stabilize payment rates to physicians in Medicare fee-for-service, and incentivize physicians' transition to value-based care models. While well-intentioned, MACRA's methodology for updating the Medicare Physician Fee Schedule (PFS) does not keep pace with rising practice costs and inflation, and simultaneously cuts reimbursement for physicians.

The Centers for Medicare & Medicaid Services (CMS) finalized a 3.37% cut to the Medicare conversion factor in its 2024 Medicare Physician Fee Schedule (PFS). From Jan. 1 to March 8 of this year, medical groups absorbed a 3.37% reduction to reimbursement. Following congressional action to partially mitigate 1.68% of the cut in the *Consolidated Appropriations Act of 2024* (CAA, 2024), physician practices are left with a 1.69% reduction for the rest of the year.

Medicare physician reimbursement is on a dire trajectory, and these annual cuts continue to undermine the ability of medical group practices to keep their doors open and function effectively. MGMA offers the following recommendations to strengthen Medicare payment and sustainably support medical groups providing care to patients with chronic conditions.

Key Recommendations

- **Pass legislation to implement an annual inflation-based physician payment update tied to the Medicare Economic Index (MEI) to ensure medical groups have a functioning reimbursement system moving forward that keeps pace with rising costs.** Without providing an annual inflationary update for physicians — similar to other payment systems under Medicare — medical groups will continue to face financial barriers to providing access to care for patients with chronic conditions in their communities. The *Strengthening Medicare for Patients and Providers Act* would provide this long-needed annual MEI-based update to Medicare physician reimbursement.
- **Reform the budget neutrality aspect of the Medicare Part B payment system to avoid continued across-the-board payment cuts harming medical groups' financial viability.**
- **Pass the *Chronic Care Management Improvement Act of 2023* to ensure Medicare patients with chronic conditions are able to access high-quality care.**
- **Provide positive financial incentives to support practices transitioning into value-based care.** The *Value in Health Care Act of 2023* would reinstate the advanced alterative payment model (APM) incentive payment at 5%, allow CMS to set the qualifying APM participant (QP) thresholds at an appropriate level, and institute additional polices to properly incentivize and assist practices transitioning to value-based care arrangements.

Pass an annual Medicare inflationary payment update

This year's cut to the conversion factor is entirely untenable as the cost of running a medical practice continues to rise — 89% of MGMA members reported an increase in operating costs in 2023.[1] According to MGMA data, physician practices saw total operating cost per FTE physician increase by over 63% from 2013–2022, while the Medicare conversion factor increased by only 1.7% over the same timeframe.

In our 2023 Annual Regulatory Burden Report, MGMA surveyed over 350 medical groups and 87% of respondents reported that reimbursement not keeping up with inflation impacts current and future Medicare patient access.[2] This aligns with what the Medicare Trustees recently said in their 2023 report:

"While the physician payment system put in place by MACRA avoided the significant short-range physician payment issues resulting from the SGR system approach, it nevertheless raises important long-range concerns that will almost certainly need to be addressed by future legislation. In particular, additional payments totaling $500 million per year and annual bonuses are scheduled to expire in 2025 and 2026, respectively, resulting in a payment reduction for most physicians. In addition, the law specifies the physician payment updates for all years in the future, and these updates do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases. The specified rate updates could be an issue in years when levels of inflation are high and would be problematic when the cumulative gap between the price updates and physician costs becomes large. Absent a change in the delivery system or level of update by subsequent legislation, the Trustees expect access to Medicare-participating physicians to become a significant issue in the long term."[3]

---

[1] MGMA Stat Poll, July 12, 2023.
[2] MGMA 2023 Annual Burden Report, Nov. 13, 2023.
[3] Medicare Board of Trustees, 2023 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Mar. 31, 2023.

Practices have seen significant cuts to Medicare physician payment over the past four years, which have a heightened impact in the face of inflationary pressures (CMS projected a 4.6% increase to the MEI for 2024) and other economic factors such as staffing shortages. Failing to stop this downward spiral in physician payment will continue to threaten the financial viability of medical groups, hasten negative repercussions to this nation's healthcare system, and hurt group practices' ability to treat patients with chronic diseases.

Other Medicare payment systems receive annual positive updates — even hospitals that received a 3.1% increase in the Medicare hospital outpatient prospective payment system (OPPS) for 2024 have decried the insufficient nature of their positive increase given financial constraints and thin margins in the current environment. How does the Committee expect physicians to keep their doors open in the same environment if Congress allows these cuts to continue?

A permanent solution is critical to stabilize Medicare physician payment. The *Strengthening Medicare for Patients and Providers Act*, which was introduced by a bipartisan group of congressional doctors in the House of Representatives and currently has 127 cosponsors, would provide an annual Medicare physician payment update tied to inflation, as measured by the MEI. This commonsense policy is long overdue to bring physician payment in line with the costs of providing care and should be enacted as soon as possible.

Modernize Medicare's antiquated budget neutrality policies

Compounding the lack of an inflation-based update are the annual reimbursement cuts medical groups continue to face stemming from 2021 Medicare PFS changes, the phase-in of the E/M complexity add-on code (G2211) that CMS implemented in 2024, and corresponding budget neutrality requirements. The *Provider Reimbursement Stability Act of 2023* would modernize many aspects of Medicare budget neutrality and would make significant changes to alleviate the adverse effects practices are experiencing. The legislation would increase the triggering threshold from $20 million to $53 million (while adding an update to keep pace with inflation), institute new utilization review requirements to better reflect the reality of providers using certain services compared to CMS' estimates, and more.

MGMA urges Congress to make changes to budget neutrality in unison with the long-needed annual inflationary update. These policies work in concert to undermine the financial viability of medical practices, as medical groups will be facing another cut in 2025 absent congressional intervention. Addressing both problems would go a long way towards establishing an appropriate and sustainable Medicare reimbursement system.

Support patients with chronic conditions by enacting the *Chronic Care Management Improvement Act of 2023*

Chronic care management (CCM) is an integral part of care coordination for patients with chronic conditions. Medicare started paying for CCM services in 2015 for primarily non-face-to-face CCM services. While we support this initiative to improve the ability to manage patients' chronic conditions, theses services created a beneficiary cost-sharing obligation.

The 20% coinsurance requirement for CCM services is a barrier to care for beneficiaries who are not used to cost sharing for care management services. The *Chronic Care Management Improvement Act of 2023* would waive this coinsurance requirement, thereby improving patients' ability to receive the chronic care they need. We urge the Committee to pass this important piece of legislation.

Support physician practices transitioning into value-based care arrangements

Value-based care arrangements such as APMs can help physician practices successfully treat patients with complex and chronic conditions, but Congress needs to do more to ensure practices have adequate financial support to voluntarily make the transition from fee-for-service. Congress recently extended the APM incentive payment at 1.88% for 2024 — a decrease from 3.5% in 2023, and 5% in 2022. MGMA strongly urges Congress to reinstate the full 5% as this payment is necessary to cover costs, support investments, and safeguard the financial viability of medical groups in the program.

Congress also froze the QP thresholds at the 2023 level for the 2024 performance period in the CAA, 2024. This was a welcomed extension, as CMS' increase of these thresholds would have made it extremely difficult for many medical groups to reach QP status and qualify for the APM incentive bonus and avoid onerous reporting requirements under the Merit-based Incentive Payment System (MIPS). We suggest the Committee give CMS the ability to adjust these thresholds under statute to allow them to be set at reasonable levels, as drastic increases to QP thresholds will make it impossible for many practices to join or continue participating in APMs. The *Value in Health Care Act of 2023* includes language to this effect and would implement additional policies, such as extending the 5% APM incentive payment, to better assist practices transitioning into value-based care arrangements.

Conclusion

MGMA thanks the Committee for its leadership in examining Medicare payment for chronic care. We look forward to collaborating with the Committee and its colleagues to craft sensible payment policies that will reinforce practices' ability to offer high-quality care to patients with chronic conditions. If you have any questions, please contact James Haynes, Associate Director of Government Affairs, at jhaynes@mgma.org or 202-293-3450.

Sincerely,

/s/

Anders Gilberg
Senior Vice President, Government Affairs