

Assessing payment adequacy and updating payments:
Physician and other health professional services
and
Supporting Medicare safety-net clinicians

Rachel Burton, Geoff Gerhardt, Ariel Winter, Ledia Tabor
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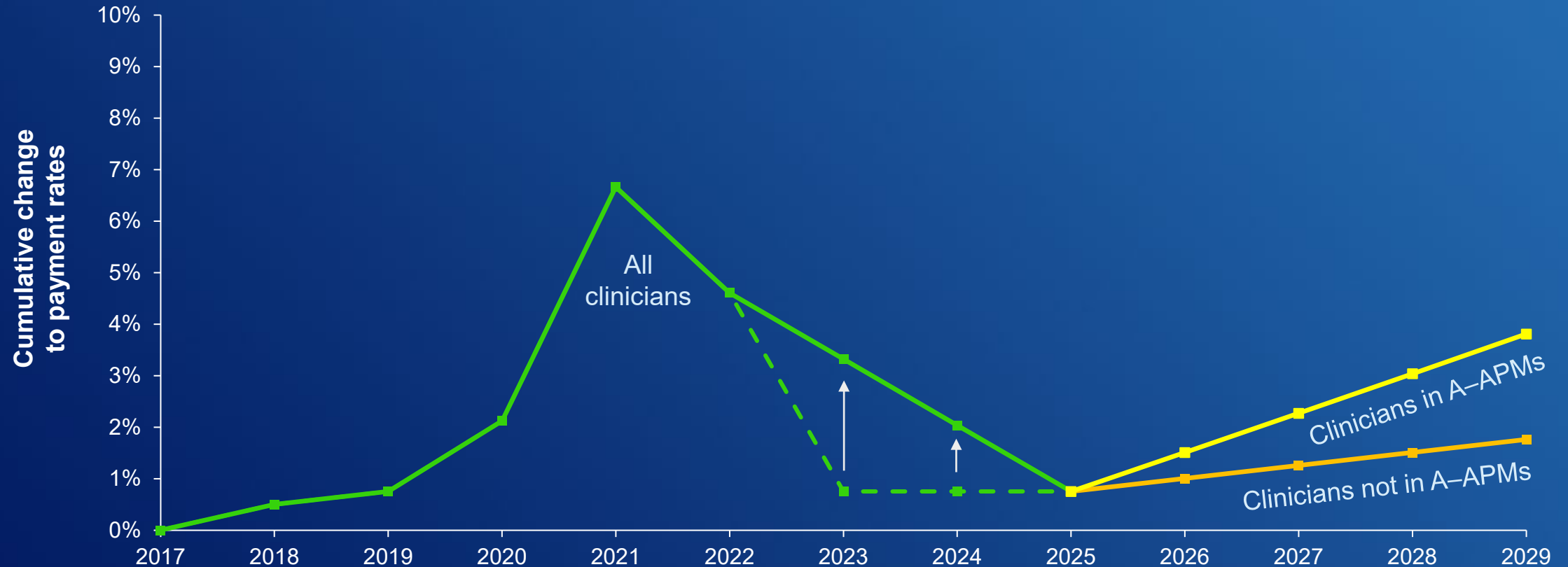
Background: Medicare's physician fee schedule

- Pays for about 8,000 types of clinician services in a wide variety of settings
- 1.3 million clinicians billed Medicare's physician fee schedule in 2021
- Spending by Medicare and beneficiaries on clinician services:
 - 2021: \$92.8B
 - 2020: \$84.7B
 - 2019: \$97.2B
- Pandemic relief funds in 2020 (\$40B) and 2021 (\$13.5B) more than offset clinicians' all-payer losses

Note: Data are preliminary and subject to change.

Source: MedPAC analysis of Medicare fee-for-service claims data; CMS, Accounting for federal COVID expenditures in the National Health Expenditure Accounts, 2022, <https://www.cms.gov/files/document/accounting-federal-covid-expenditures-national-health-expenditure-accounts.pdf>.

Congress recently enacted temporary increases to clinicians' payment rates for 2023 and 2024



Note: A-APMs (advanced alternative payment models). Graph shows changes to payment rates in nominal terms. Graph does not show CMS changes to payment rates to ensure that changes to the values of individual billing codes are budget neutral. Graph also does not show Merit-based Incentive Payment System adjustments or advanced alternative payment model bonuses because these are not built into subsequent years' payment rates.

Source: MedPAC analysis of the Medicare Access and CHIP Reauthorization Act of 2015, the Bipartisan Budget Act of 2018, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act, 2021, An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, the Protecting Medicare and American Farmers from Sequester Cuts Act, and the Consolidated Appropriations Act, 2023.

Most of our indicators suggest payment rates have been adequate, but rising input costs are a concern



Access to care

- Beneficiaries' access comparable to, or better than, privately insured
- Total number of clinicians stable, but PCPs declining
- Clinician encounters per beneficiary declined in 2020, then partially rebounded in 2021



Quality of care

- Wide variation in rates of ambulatory care-sensitive hospitalizations and ED visits
- Patient experience scores remain high



Clinicians' revenue & costs

- MEI projected to grow 4.7% in 2022, 3.9% in 2023, 2.9% in 2024
- Payments per beneficiary declined in 2020, but fully rebounded in 2021
- Commercial PPO payment rates 134% of FFS Medicare rates in 2021
- Physicians' median compensation grew 3%/year, on average, from 2017 to 2021

The need for Medicare to support clinicians who treat beneficiaries with low incomes

- Clinicians are prohibited from collecting cost sharing from beneficiaries who are dually enrolled in Medicaid
- Most states do not make cost-sharing payments on behalf of dually enrolled beneficiaries
- Lower-income beneficiaries report having more difficulty accessing clinician care
- Targeted financial support for safety-net clinicians does not exist in physician fee schedule