

# Assessing payment adequacy and updating payments: Physician and other health professional services

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# Presentation roadmap

- 1 Overview of physician fee schedule
- 2 Assessment of payment adequacy indicators
- 3 Draft recommendation

# Medicare's physician fee schedule

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- Pays for about 8,000 different clinician services in a wide variety of clinical settings (e.g., offices, hospitals, ambulatory surgical centers)
- In 2022, FFS Medicare and its beneficiaries paid 1.3 million clinicians a total of \$91.7 billion for fee schedule services
- Compared to 2021:
  - Spending was 1.2% lower in 2022
  - Number of FFS beneficiaries was 3.9% lower in 2022
- In 2025, current law calls for a 0% update; a one-year-only increase of 1.25% that applied in 2024 will expire

**Note:** FFS (fee-for-service).

**Source:** MedPAC analysis of Medicare FFS claims data, annual report of the Boards of Trustees of the Medicare trust funds.

# Recently, the conversion factor has declined to offset higher payment rates for E&M services

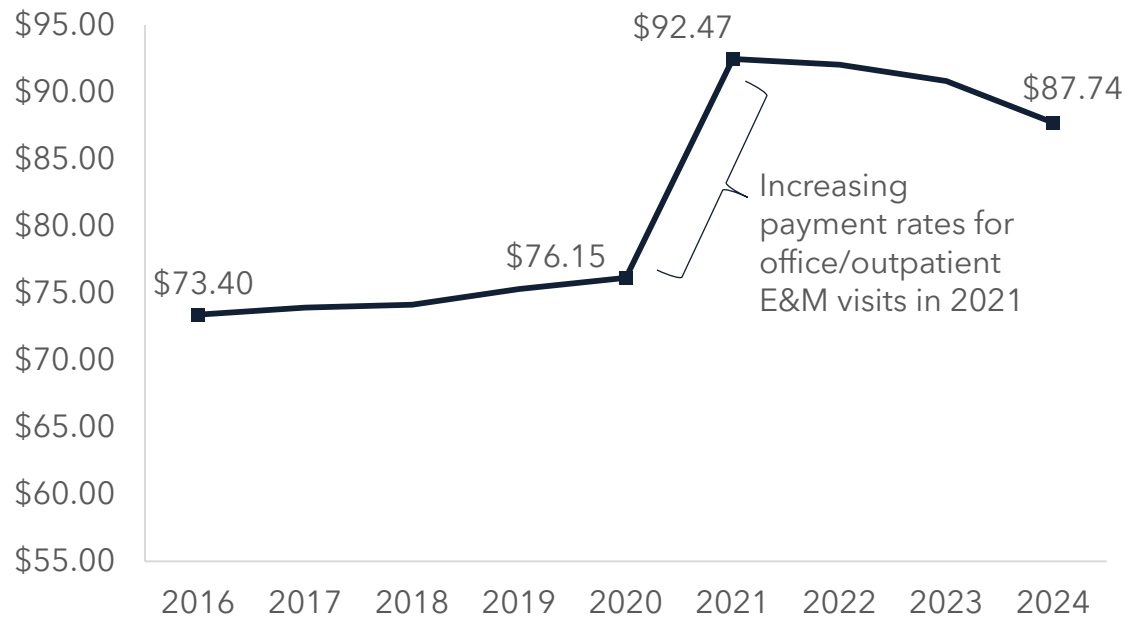
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- Conversion factor updates usually reflect:
  1. A percentage specified in law
  2. A percentage calculated by CMS to maintain budget neutrality
- MACRA specified updates of 0% per year for 2020–2025
- In 2021, CMS increased payment rates for office/outpatient E&M visits, which required a -6.8% budget-neutrality adjustment to offset the cost of these higher payment rates
- To avoid a reduction of this size, Congress provided one-year-only increases from 2021 to 2024 (+3.75%, +3%, +2.5%, +1.25%)
  - Has the effect of phasing in the -6.8% budget-neutrality adjustment

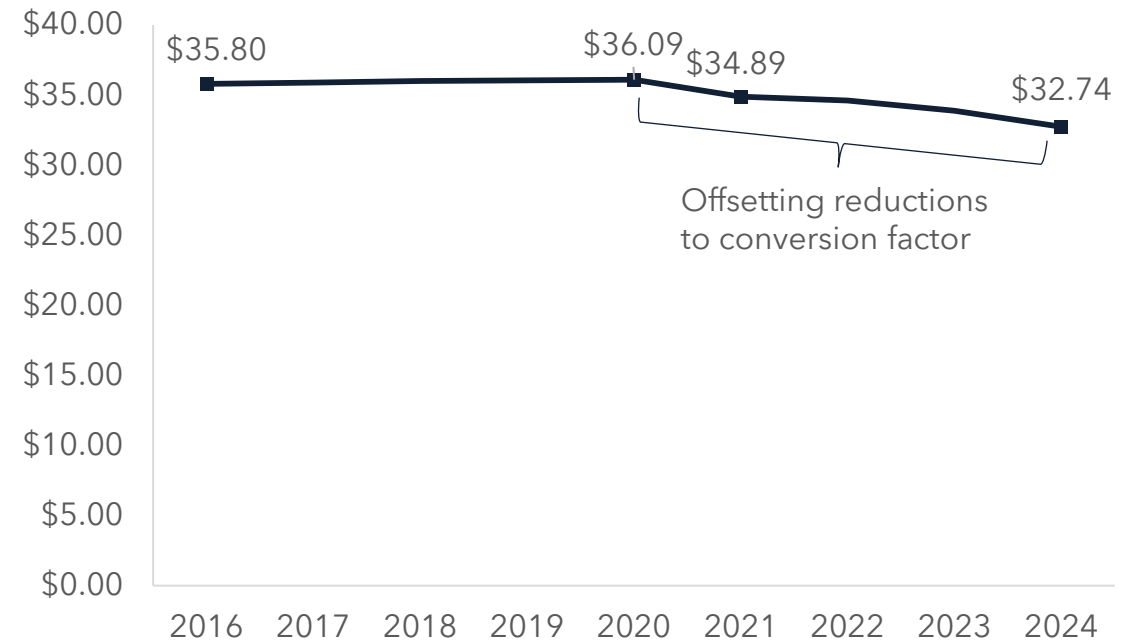
**Note:** E&M (evaluation and management), MACRA (Medicare Access and CHIP Reauthorization Act of 2015).

# Increases to payment rates for office visits required decreases to the conversion factor

**Payment rate for a sample E&M visit  
(CPT code 99213)**



**Conversion factor  
(used to calculate payment rates)**



**Note:** E&M (evaluation and management), CPT (Current Procedural Terminology). The office/outpatient E&M visit code set refers to CPT codes 99202-99205 (new patients) and 99211-99215 (established patients). CPT code 99213 refers to a visit involving a low level of medical decision-making; if time is used for code selection, 20-29 minutes are spent on the day of the encounter. Payment rates shown for 99213 are nonfacility national payment rates. In 2024, a \$16 add-on code (G2211) will further increase payments for visits furnished by clinicians providing ongoing care to a patient (not shown at left).

**Source:** CMS. Search the physician fee schedule (interactive billing code payment rate look-up website), <https://www.cms.gov/medicare/physician-fee-schedule/search/overview>.

# Beneficiaries have good access to clinician care

- Our annual survey finds that Medicare beneficiaries report access to care that is comparable with, or better than, that of privately insured
- Comparable shares of clinicians accept patients with Medicare and private insurance
- The total number of clinicians is increasing, although the mix of clinicians is changing
- The number of clinician encounters per fee-for-service beneficiary increased by 3.1% in 2022

# Quality of clinician care is difficult to assess

- Wide variation in rates of:
  - ambulatory care-sensitive hospitalizations
  - ambulatory care-sensitive emergency department visits
- Patient experience scores are relatively stable



# Clinicians' revenues and compensation have increased, but inflation has been higher than usual

- Spending per Medicare FFS beneficiary increased by 2.8% in 2022
- Ratio of private insurance payment rates to Medicare payment rates has increased slightly
- Median compensation grew 9% for physicians and 5% for advanced practice providers in 2022
- Medicare Economic Index (MEI) growth peaked in 2022 but is projected to slow to 2.6% in 2025



# Medicare Payment Advisory Commission

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