

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





Rachel Burton, Geoff Gerhardt, Brian O'Donnell, Ledia Tabor

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Presentation roadmap

- 1 Overview of use and spending under Medicare's physician fee schedule
- 2 Assessment of the adequacy of payment rates for clinicians' services
- 3 Draft recommendation

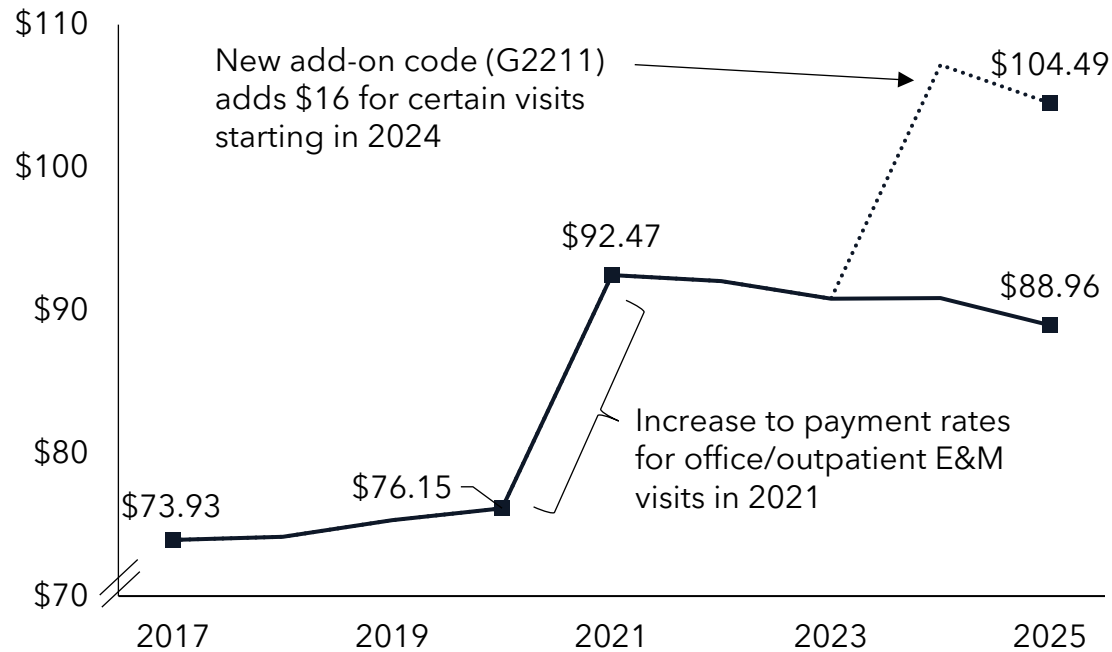
Overview of use and spending under Medicare's physician fee schedule, 2023

	Clinicians	1.4 million
	Encounters	666 million
	Patients	28.2 million
	Payments from Medicare and FFS beneficiaries	\$92.4 billion

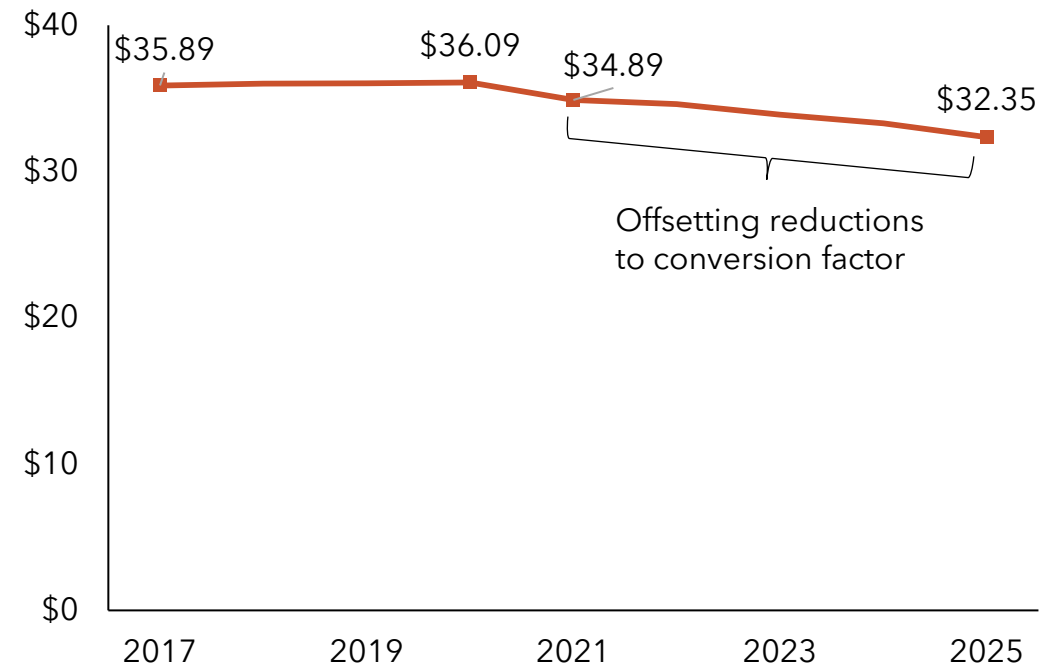
Note: FFS (fee-for-service). An "encounter" represents an interaction between a beneficiary and clinician for which one or more fee schedule services were billed.
Source: MedPAC analysis of Medicare claims data.

Recent increases to payment rates for office visits have required offsetting 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 is a visit involving a low level of medical decision-making; if time is used for code selection, 20-29 minutes are spent on the date of the encounter. Payment rates shown for 99213 are nonfacility national payment rates. G2211 is an add-on code available to be billed with office/outpatient E&M visit codes when a clinician has a longitudinal relationship with a patient and meets other requirements.

Source: CMS’s “Search the physician fee schedule” (billing code look-up website), <https://www.cms.gov/medicare/physician-fee-schedule/search/overview>.

Summary: Physician and other health professional services



Beneficiaries' access to care

- Beneficiaries' access comparable with or, in most cases, better than privately insured
- Comparable shares of clinicians accept patients with Medicare and private insurance
- Total number of clinicians increasing, mix changing
- Clinician encounters per FFS beneficiary increased by 4.3% in 2023

Mostly positive



Quality of care

- Medicare does not collect much clinical information
- MIPS is fundamentally flawed

Indeterminate



Clinicians' revenues and costs

- MEI growth has outpaced updates; MEI growth is expected to slow to 2.3% in 2026
- Ratio of private-insurance rates to Medicare rates increased slightly
- Median compensation grew 3% for physicians and 6% for advanced practice providers in 2023

Mixed

Note: FFS (fee-for-service), MIPS (Merit-based Incentive Payment System), MEI (Medicare Economic Index).

Beneficiaries have relatively good access to clinician care

- Our 2024 survey found that Medicare beneficiaries ages 65+ reported access to care that was comparable with or, in most cases, better than that of privately insured people ages 50-64
- 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 4.3% in 2023

Source: MedPAC's 2024 access-to-care survey fielded by Gallup; American Medical Association's 2022 physician survey; CDC's 2021 National Ambulatory Medical Care Survey; MedPAC analysis of Medicare claims data for 100 percent of fee-for-service beneficiaries.

Quality of clinician care is difficult to assess

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

Source: MedPAC analysis of 2023 FFS Medicare claims data; FFS CAHPS (Fee-for-Service Consumer Assessment of Healthcare Providers and System (CAHPS)) 2022-2023 mean scores publicly reported by CMS.

Clinicians' revenues and costs were mixed

- Spending per Medicare FFS beneficiary increased by 4.2% in 2023
- Ratio of private-insurance payment rates to Medicare payment rates increased slightly in 2023, to 140% of FFS Medicare payment rates
- Median compensation grew 3% for physicians and 6% for advanced practice providers in 2023
- Growth in the Medicare Economic Index (MEI) peaked in 2022 at 4.4% but is projected to slow to 2.3% in 2026

Note: FFS (fee-for-service).

Source: MedPAC analysis of Medicare claims data for 100 percent of FFS beneficiaries; data on paid claims for preferred provider organization enrollees of a large national insurer; SullivanCotter's 2024 clinician compensation and productivity surveys; CMS market basket data.



Draft recommendation

Draft recommendation involves balancing multiple considerations

- Key objective:
 - Maintain beneficiary access to quality care without unnecessarily high payment rates, which create financial burdens for beneficiaries and taxpayers
- Key considerations:
 - Current indicators of beneficiary access are relatively positive
 - High input cost growth relative to current law updates
 - Low-income beneficiaries report worse access to care than other beneficiaries

Draft recommendation would increase clinicians' payment rates above 2025 current law

- Two-part recommendation:
 - In 2026, replace current-law FFS updates with a single update equal to MEI minus 1 percentage point
 - MEI is projected to increase by 2.3% in 2026, so this would yield a 1.3% increase
 - Enact the Commission's clinician safety-net recommendation (March 2023)
 - Would increase the average clinicians' fee schedule payments by 1.7%
- Combined effect of these two policies would increase average FFS physician fee schedule payments by an estimated 3%
 - Size of average increase would vary by clinician specialty:
 - Primary care clinicians: +5.7%
 - All other clinicians: +2.5%

Note: FFS (fee-for-service), MEI (Medicare Economic Index).

Targeting resources to improve access to care for low-income beneficiaries

- In 2023, Commission recommended establishing add-on payments for all physician fee schedule services furnished to low-income FFS Medicare beneficiaries:
 - 15% add-on for primary care clinicians
 - 5% add-on for all other clinicians

Note: FFS (fee-for-service). We define “low-income [Medicare] beneficiaries” as those who receive full or partial Medicaid benefits and/or receive the Part D low-income subsidy.
Source: MedPAC March 2023 report to the Congress.

Draft recommendation

The Congress should:

- For calendar year 2026, replace the current-law updates to Medicare payment rates for physician and other health professional services with a single update equal to the projected increase in the Medicare Economic Index minus 1 percentage point; and
- Enact the Commission's March 2023 recommendation to establish safety-net add-on payments under the physician fee schedule for services delivered to low-income Medicare beneficiaries

Implications of draft recommendation

Spending

Relative to current law, would increase spending by between \$2 billion and \$5 billion in 1 year and between \$10 billion and \$25 billion over 5 years

Beneficiary and provider

Should maintain beneficiaries' access to care and maintain or improve low-income beneficiaries' access to care

Should maintain clinicians' willingness and ability to furnish care and maintain or improve clinicians' willingness and ability to treat low-income beneficiaries

Medicare Payment Advisory Commission

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