



Congress Increases 2024 Medicare Physician Pay

On March 9, 2024, President Biden signed into law a \$460 billion spending package to continue funding the federal government for the remainder of the 2024 fiscal year.¹ Contained within the spending package was legislation to cut in half the 2024 Medicare physician payment update of approximately -3.4%.² This Health Capital Topics article discusses the payment update, other healthcare provisions contained in the bipartisan spending bills, and responses from stakeholders.

For calendar year (CY) 2024, the Medicare Physician Fee Schedule (MPFS) conversion factor declined \$1.15, to \$32.74 – a nearly 3.4% reduction from 2023’s conversion factor of \$33.89 – the fourth straight year that physician payment rates have experienced a decrease.³ The conversion factor converts a relative value unit (RVU), a geographically-adjusted number that represents the amount of resources required to perform each procedure listed in the MPFS, into a payment amount for a given service.⁴ This conversion factor is updated annually by a formula that takes into account:

- (1) The previous year’s conversion factor;
- (2) The estimated percentage increase in the Medicare Economic Index (MEI) for the year, which accounts for inflationary changes in office expenses and physician earnings,; and,
- (3) An update adjustment factor.⁵

All physician services, except anesthesia services, use a single conversion factor.⁶ The CY 2024 conversion factor decrease was the result of: a 0% statutory update; a -2.18% budget neutrality adjustment; and a “funding patch” included in the *Consolidated Appropriations Act of 2023* (CAA).⁷

While physicians will not be completely relieved of the significant Medicare reimbursement cut that originally took effect on January 1, 2024, the payment bump of 1.68% (resulting in a reimbursement decrease of approximately 1.7% for the remainder of 2024) softens the blow.⁸ This physician pay adjustment, which took effect March 9, 2024,⁹ is among a number of healthcare programs and payment policies that are legislatively extended through the end of fiscal year 2024.¹⁰ In total, six spending bills totaling approximately \$460 billion were passed on March 8, 2024 (the last day to pass any legislation before the government would have had to partially shut down) to fund the government.¹¹ Other

healthcare-related provisions in the spending bills include:

- An \$8 billion cut to the Medicaid Disproportionate Share Hospital (DSH) program was pushed back to January 1, 2025;
- An additional \$270 million was included to fund community health centers, bringing total funding to \$4.27 billion per year;
- A one-year extension for incentive payments that encourage participation in certain alternative payment models was reduced from a 3.5% bonus to a 1.88% bonus;
- Funding was extended through December 31, 2024 for the National Health Service Corps, with a \$35 million increase, and for the Special Diabetes Program, with a \$10 million increase;
- The Teaching Health Center Graduate Medical Education program received a \$48.5 million increase;
- Medicaid is required to cover medication-assisted treatment for patients with substance use disorders.
- A boost in the geographic index pay (adjustments that are made to physician reimbursement based on where physician services are provided) was for Medicare physician reimbursement.
- For certain low-volume hospitals, extra pay was extended.
- The Medicare-dependent hospital program was extended.
- National health security programs were extended.
- An adjustment to Medicare hospice caps (the maximum reimbursement a hospice can be reimbursed for Medicare hospice services) was extended.
- Funding for Federally Qualified Health Centers (FQHCs) is being extended for four years.
- Food and Drug Administration (FDA) discretionary spending is being held flat at \$3.5 billion.¹²

In addition to the six spending bills passed on March 8th, Congress also passed a second set of six spending bills in the early hours of March 23, 2024, to fund the remainder of government programs, including \$117 billion to fund the Department of Health and Human Services (HHS), for the remainder of the fiscal year.¹³

Industry trade associations expressed their strong disappointment in the only slight amelioration of Medicare physician payment cuts for 2024. Anders Gilberg, Senior Vice President of the Medical Group Management Association (MGMA) stated that “anything less than a full reversal of the 3.4% cut is appallingly inadequate.”¹⁴ Gilberg also said that MGMA was “deeply disappointed with Congress’ half-hearted attempt to remedy the devastating blow physician practices were dealt by the 2024 Medicare Physician Fee Schedule.”¹⁵ The American Academy of Family Physicians (AAFP)

also expressed their disappointment with the proposed increase for physician payments.¹⁶ AAFP stated that they “repeatedly told Congress that the 3.4% Medicare payment reduction that went into effect on January 1 is untenable for family physicians and threatens patients’ access to primary care.”¹⁷ The AAFP also said that “while we appreciate the partial relief, family physicians continue to face an annual threat of payment cuts that are detrimental to practices and patients.”¹⁸ The American Medical Association (AMA) added that this latest cut to Medicare physician reimbursement highlights “the need to stop the annual cycle of pay cuts and patches and enact permanent Medicare payment reforms.”¹⁹ The AMA has “challenged Congress to work on systemic reforms” to the MPFS, and long-term solutions have been floating around Capitol Hill. However, whether any proposed reforms have traction, especially in a presidential election year, remains to be seen.

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3 “Calendar Year (CY) 2024 Medicare Physician Fee Schedule Final Rule” Centers for Medicare & Medicaid Services, November 2, 2023, <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2024-medicare-physician-fee-schedule-final-rule> (Accessed 3/6/24).

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5 “Part B Payments: General Limits and Payment Rules” in “2009 Master Medicare Guide” CCH Health Editorial, Wolters Kluwer, 2009, p. 901.

6 *Ibid.*, p. 900.

7 “Policy Update: CMS Releases CY 2024 Physician Fee Schedule Final Rule” By Jeffrey Davis, et al., McDermott+ Consulting, November 6, 2023, available at: <https://www.mcdermottplus.com/insights/cms-releases-cy-2024-physician-fee-schedule-final-rule/> (Accessed 3/6/24).

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11 “Congress unveils long-awaited funding bills ahead of shutdown threat” By Aris Folley, The Hill, March 3, 2024, <https://thehill.com/homenews/senate/4505075-congress-reveals-long-awaited-bills-ahead-of-next-weeks-shutdown-threat/> (Accessed 3/6/24); “Biden signs \$460B spending bill with doc pay bump, delayed DSH cuts and community health funding” By Dave Muoio, Fierce Healthcare, March 10, 2024, <https://www.fiercehealthcare.com/providers/congress-reaches-spending-deal-doc-pay-bump-delayed-dsh-cuts-and-more> (Accessed 3/11/24).

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17 *Ibid.*

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