

Continuing Resolution Excludes Physician Payment Increase Again

On March 15, 2025, President Donald Trump signed a continuing resolution (CR) that avoided a government shutdown and funds the federal government for the rest of the fiscal year, i.e., through September 30, 2025.¹ Perhaps more notable than what was included in the spending bill was what was once again excluded. While the COVID-era telehealth waivers were temporarily extended, Medicare physician payment rates were not addressed, meaning physicians will continue experiencing a 2.93% pay cut for 2025. This Health Capital Topics article discusses the healthcare provisions included in and excluded from the CR, and the impacts on healthcare providers.

Physician payments are updated annually by the Centers of Medicare & Medicaid Services (CMS) via the Medicare Physician Fee Schedule (MPFS) conversion factor. The conversion factor translates a relative value unit (RVU) – a geographically-adjusted measure of resources required to perform a procedure – into a payment amount for a given service.² This conversion factor is updated each year using a formula that accounts for:

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

The MPFS final rule for calendar year 2025 reduced the conversion factor by 2.83% (from \$33.29 to \$32.35), marking the fifth straight annual decrease (although Congress eased those cuts the first four years).⁴ In addition, CMS noted in the final rule that it anticipates provider expenses to increase by 3.6% in 2025, meaning the conversion factor reduction effectively amounts to a 6.4% cut.⁵

After the publication of the final rule, provider associations lobbied Congress to pass legislation ameliorating the cut, resulting in the introduction of new, bipartisan legislation to increase physician pay. Some increase to physician payment rates was also included in the initial version of the December 2024

CR, but at the last minute, legislators passed a stripped-down spending bill that excluded any physician pay increases but included a three-month extension of the telehealth waivers and flexibilities (until April 1, 2025) and a delay of the safety-net hospital cut.⁶ Numerous lawmakers assured the public that the issue would be addressed in the March 2025 CR.

Hours before the CR's March 15, 2025 expiration, Congress passed another, full-year CR that once again kicked the can down the road on both telehealth extensions and physician pay increases.⁷ The funding bill extends telehealth flexibilities until September 30, 2025, during which time telehealth visits can occur at an expanded list of locations (including a Medicare patient's home) and allows additional provider types to conduct telehealth visits.⁸ The CR also extended funding for community health centers, health centers that operate graduate medical education programs, the hospital at home program, supplemental payments to certain low-volume hospitals, and to Medicare-dependent hospitals and ground ambulances.⁹ The bill also delayed a three-year, \$24 billion Medicaid disproportionate share hospital payment reduction.¹⁰ However, the CR did not address the Medicare physician pay cut.¹¹

Provider associations excoriated the CR and its exclusion of a Medicare physician payment increase. The Medical Group Management Association (MGMA) called it "a massive congressional failure and blatant abdication of duty to our nation's physicians and their beneficiaries."¹² The American Medical Association's (AMA) president stated:

"Physicians across the country are outraged that Congress's proposed spending package locks in a devastating fifth consecutive year of Medicare cuts, threatening access to care for 66 million Medicare patients. Despite repeated warnings, lawmakers are once again ignoring the dire consequences of these cuts and their impact both on patients and the private practices struggling to keep their doors open."¹³

American Medical Group Association (AMGA) noted that “the cuts are compounded by almost 11% in cumulative decreases over the past five years and have created a crisis in healthcare delivery.”¹⁴ Further, the AMGA released the results of a survey it conducted related to the 2025 payment cuts, which found that of their surveyed members:

- 61.3% have implemented hiring freezes/delays;
- 40% have eliminated services to Medicare patients;
- 31.3% have laid off or furloughed nonclinical staff;
- 25% have laid off or furloughed clinical staff; and
- 12.5% are not accepting new Medicare patients.¹⁵

When adjusted for inflation, MPFS reimbursement has declined 33% since 2001.¹⁶ Similarly, MGMA data on physician practices indicate that total operating cost per full-time equivalent (FTE) physician increased by

more than 63% between 2013 and 2022, while the MPFS conversion factor increased by only 1.7% over the same timeframe.¹⁷ Physicians have been sounding the alarm on Medicare reimbursement challenges for years. In response to a 2023 survey conducted by MGMA, “87 percent of medical group practices said reimbursement not keeping up with inflation would impact current and future Medicare patient access,” and “92 percent of medical groups reported an increase in operating costs in 2024.”¹⁸ While provider associations have been calling for a more comprehensive overhaul of physician payment updates, to avoid such end-of-the-year overrides, such legislation has been kicked down the road time and time again. Provider associations have called on Congress to pass both retroactive physician payment rate increases and comprehensive reform to the MPFS; whether Congress can and will do so remains to be seen.

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14 Hut, Healthcare Financial Management Association, March 11, 2025.

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