AMA Analysis of the 2024 Medicare Physician Payment Schedule

Last week, the Centers for Medicare & Medicaid Services (CMS) released the proposed rule for the calendar year (CY) 2024 Medicare Physician Payment Schedule. While the American Medical Association (AMA) staff analyze and develop a summary of the nearly 2,000-page rule, we want to make you aware of a handful of key provisions.

First, the 2024 Medicare conversion factor is proposed to be reduced by 3.36 percent from $33.8872 to $32.7476. The CMS Press Release states the decrease is 3.34 percent, but we believe this is an error. Similarly, the anesthesia conversion factor is proposed to be reduced from $21.1249 to $20.4370. These cuts result from a reduction in the temporary update to the conversion factor under current law and a negative budget neutrality adjustment stemming in large part from the adoption of an office visit add-on code, discussed below. Unfortunately, these cuts coincide with ongoing growth in the cost to practice medicine as CMS projects the increase in the Medicare Economic Index (MEI) for 2024 will be 4.5 percent. Physician practices cannot continue to absorb these increasing costs while their payment rates dwindle. This is why the AMA and our partners in organized medicine strongly support H.R. 2474, the Strengthening Medicare for Patients and Providers Act, which would provide a permanent, annual update equal to the increase in the MEI and allow physicians to invest in their practices and implement new strategies to provide high-value care. Visit the AMA's Fix Medicare Now site and join the fight for financial stability for physician practices to preserve access to care for Medicare beneficiaries.

Second, in response to AMA advocacy, CMS proposes to mitigate anticipated cuts due to the budget neutrality impact of adding the new evaluation and management (E/M) add-on code, G2211, which was finalized in 2021 but then delayed for three years by Congress. Specifically, CMS has lowered the estimated utilization assumption of the add-on code from 90 percent in its 2021 rule to 38 percent when initially implemented in 2024 and 54 percent once the code has been fully adopted. The AMA had highlighted several likely barriers to implementing this code, including ambiguity about when to use it and how to document it, as well as concerns about patient cost-sharing obligations. Unfortunately, as noted above, although the utilization assumption has been greatly reduced, the add-on code will still lead to an additional across-the-board cut to the conversion factor due to budget neutrality requirements. The AMA is strongly urging Congress to pass common sense modifications to the statutory budget neutrality requirements to reduce the severity and frequency of payment cuts stemming from these rules.

In last year's Final Rule, CMS finalized updated MEI weights for the different cost components of the MEI for CY 2023. However, CMS also noted that they postponed implementation of the MEI changes until time uncertain, referencing the need for continued public comment due to the significant impact to physician payments. If the implementation of the MEI weights was budget neutral, overall physician work payment would be cut by 7 percent and PLI payment would be reduced severalfold. These large shifts are principally due to a substantial error in CMS' analysis of the US Census Bureau's Service Annual Survey (SAS), which omitted nearly 200,000 facility-based physicians. After correcting for this major omission, the physician work MEI weight would instead increase and PLI would experience a much smaller reduction.

In the CY 2024 proposed rule, CMS announced that they will continue to postpone implementation of the updated MEI weights, referencing the AMA's national study to collect representative data on physician practice expenses, the AMA Physician Practice Information (PPI) Survey. The PPI Survey launches on July 31st, 2023 and data is anticipated to be shared with CMS in early 2025.

> "In light of the AMA's intended data collection efforts in the near future and because the methodological and data source changes to the MEI finalized in the CY 2023 PFS final rule would have significant impacts on PFS payments, we continue to believe that delaying the implementation of the finalized 2017-based MEI cost weights for the RVUs is consistent with our efforts to balance payment stability and predictability with incorporating new data through more routine updates. Therefore, we are not proposing to incorporate the 2017-based MEI in PFS ratesetting for CY 2024."

CMS also proposes to increase the performance threshold to avoid a penalty in the Merit-based Incentive Payment System (MIPS) from 75 points to 82 points. CMS estimates this would result in an increase in the number of MIPS eligible clinicians who would receive a penalty of up to –9 percent. The AMA will strongly oppose increasing the threshold and is alarmed that CMS would propose an increase that results in a significant increase in physicians being penalized by MIPS, as the program has been largely paused since 2019 due to the significant disruptions caused by the COVID-19 pandemic. Research continues to show that MIPS is unduly burdensome; disproportionately harmful to small, rural, and independent practices; exacerbating health inequities; and divorced from meaningful clinical outcomes. The AMA is also urging Congress to make statutory changes to improve MIPS and address these fundamental problems with the program.

Finally, due to AMA advocacy, CMS proposes to delay mandatory electronic clinical quality measure (eCQM) adoption by Medicare Shared Savings Program (MSSP) participants and may continue to utilize the CMS Web Interface in 2024. As finalized in previous rulemaking, MSSP participants would have been required to report their quality measures electronically starting in 2024. We are very glad to see CMS recognize the lack of maturity with health information technology (HIT) standards to seamlessly aggregate data from electronic health records from physicians who practice at multiple sites and/or are part of an Accountable Care Organization.

The text of the proposed rule can be accessed at: https://public-inspection.federalregister.gov/2023-14624.pdf.

Additional links include:

- CMS Press Release: https://www.cms.gov/newsroom/press-releases/cms-physician-payment-rule-advances-health-equity
- CMS Fact Sheet on the 2024 Medicare Physician Payment Schedule proposed rule: https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2024-medicare-physician-fee-schedule-proposed-rule
- CMS Fact Sheet on 2024 Quality Payment Program proposed changes: https://qpp-cm-prod-content.s3.amazonaws.com/uploads/2481/2024%20QPP%20Proposed%20Rule%20Fact%20Sheet%20and%20Policy%20Comparison%20Table%20(2).pdf
- CMS Fact Sheet on Medicare Shared Savings Program proposed changes: https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2024-medicare-physician-fee-schedule-proposed-rule-medicare-shared-savings-program