



## **Medicare Payment Reform**

Payment rates under the Medicare Physician Fee Schedule do not receive automatic increases with inflation, which has devalued Medicare Part B payments over the last two decades, including payment for diabetes self-management training, medical nutrition therapy, and other services provided by diabetes care and education specialists. Part B payments need to be given inflationary updates to protect beneficiaries' access to care.

### **Background**

Since December of 2020, Congress has acted annually to mitigate statutorily required reductions to the Medicare Physician Fee Schedule (MPFS) by applying a temporary positive adjustment to the MPFS conversion factor (CF)—the basic starting point for calculating Medicare reimbursement. Most recently, Congress gave an additional 2.93% positive update to the CF for 2024.

Unfortunately, Congress let that temporary positive adjustment expire at the end of 2024 and has not acted to provide relief for 2025, which has resulted in a 2025 CF that is approximately 2.83% below the 2024 CF. This translates directly to lower reimbursements to providers.

### **The Problem**

The current Medicare physician payment system is broken. Systemic issues such as the negative impact of the MPFS's budget neutrality requirements are amplified by the lack of a Medicare Economic Index (MEI)-based inflationary update, which would allow Medicare reimbursement to keep pace with the true cost of practice. As one of the only fee schedules without an inflationary update, providers paid under the MPFS are particularly vulnerable to compounding financial factors that generate significant instability for practices and professionals and threaten beneficiaries' timely access to essential health care services.

### **House and Senate Request**

Take initial steps now to address the broken Medicare physician payment system by adding an annual payment adjustment based on the Medicare Economic Index (MEI) and reform the CMS budget neutrality requirements which have caused significant problems for the Medicare physician payment system over the years.

### **Impact**

- Protect access to care for 65 million Americans covered by Medicare
- Maintain viability of small, independent, and rural practices
- Through a positive annual update, allow for appropriate changes in spending growth

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