



Advancing High Performance Health

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## 2022 Issue Brief

### Medicare Reimbursement Cuts

#### Issue

Providers are once again facing the potential for more than 10% cuts to Medicare reimbursement. These cuts were temporarily paused by the passage of S. 610, the *Protecting Medicare and American Farmers from Sequester Cuts Act*, which delayed an almost 10% cut to Medicare reimbursement scheduled to take place on January 1, 2022. However, while the passage of S. 610 provided critical financial relief to multispecialty medical groups and integrated systems of care, obstacles remain. The Medicare cuts, workforce shortages, historic inflation, along with the ongoing strain due to the COVID-19 pandemic, could create a further burden on providers and patients. These cuts stem from the following.

#### Medicare PAYGO Cuts

The *American Rescue Plan Act (ARP) of 2021* increased spending without offsets to other federal programs. Under statutory Pay-As-You-Go (PAYGO) rules, any increases to the federal deficit automatically trigger an additional series of across-the-board reductions to federal programs. According to the Congressional Budget Office (CBO), the ARP created a 4% cut or \$36 billion for Medicare providers per year, which could have a substantial impact on the delivery of care to our patient community. S. 610 delayed the statutory PAYGO rules by one year. Congress must again address this issue by the end of the year to ensure that providers' Medicare reimbursements are not cut substantially.

#### Medicare Sequester Delay Extension

At the onset of the COVID-19 pandemic, Congress delayed the automatic 2% Medicare sequester cuts as providers were struggling to keep their doors open to their communities. Currently, providers are subject to a 2% cut to all Medicare reimbursement. Congress must now address the Medicare sequester cuts to ensure that multispecialty medical groups and integrated systems of care have the financial stability to continue caring for their patients during this critical time.

#### Changes to Medicare Conversion Factor

Last year, Congress passed a temporary patch to the Medicare conversion factor, which converts the relative value units into an actual dollar amount. Medicare updates the conversion factor on an annual basis according to a formula specified by statute and, importantly, within the constraints of Medicare's budget-neutral financing system. While the patch allowed for a temporary increase in provider reimbursement, proposed changes to the Physician Fee Schedule will once again cut reimbursement to providers during a critical time. The recently proposed Medicare Physician Fee Schedule would decrease the conversion factor by 4.4%. This 4.4% cut will severally affect providers already struggling with increasing inflation, supply chain

delays, and workforce shortages. Additional Congressional action is needed to address this issue so that patient care and access are not interrupted.

The overall impact of Medicare cuts could affect patient access to vital healthcare services. A [survey](#) of AMGA members found that if Medicare cuts are enacted, medical groups and integrated systems of care would be forced to eliminate services, furlough staff, implement hiring freezes, and delay population health initiatives. Congress must ensure that multispecialty medical groups and integrated systems of care will continue to have the necessary financial support as the pandemic continues to impact healthcare practices.

**AMGA asks Congress to:**

- **Clear the PAYGO “scorecard” and ensure no further PAYGO cuts occur in 2023.**
- **Pass legislation that suspends Medicare sequestration cuts in 2022 and 2023.**
- **Pass legislation to increase the Medicare conversion factor.**