



Advancing High Performance Health

One Prince Street
Alexandria, VA 22314-3318
📞 703.838.0033
📠 703.548.1890

2024 Issue Brief Medicare Reimbursement Cuts

Cuts to the Medicare Conversion Factor

Providers have faced 8% in cumulative cuts to Medicare reimbursement over the past four years. The decreasing reimbursement rates, coupled with increased labor and supply chain costs have made providing quality care increasingly difficult year after year. This year, the Centers for Medicare & Medicaid Services' (CMS) proposed Physician Fee Schedule rule for calendar year 2025 included a 2.8% reduction to the Part B conversion factor. Medicare updates the conversion factor annually according to a formula specified by statute and, importantly, within the constraints of Medicare's budget-neutral financing system.

This 2.8% cut is the *fifth* consecutive year that CMS issued a fee schedule that lowers payments to physicians and other clinicians. In 2021, 2022, and March of 2024, Congress passed partial, temporary patches to the Medicare Part B conversion factor, and if the cuts prevail it will have an impact on patient access to care. A survey of AMGA members showed the actions physicians may have to take in 2025 and their response to cuts in 2024. In 2025, 69% of respondents reported they will be forced to implement hiring freezes/delay hires, and in 2024, 54% instituted hiring freezes/delays. Sixty-seven percent of respondents indicated that they will have to eliminate patient services in 2025 with 42% percent of groups having already eliminated services to Medicare patients in 2024. Forty-two percent of respondents instituted delays in social drivers of health investments, and 54% are expected to continue these delays in 2025.¹ Come December 31, 2024, Congress must pass legislation to prevent the cut to the conversion factor and ensure sustainable reimbursements for medical groups and integrated systems of care so they can continue to provide the high quality care their patients deserve.

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), ARP triggered PAYGO, creating a 4% cut or \$36 billion in cuts to the Medicare program annually, which significantly impacts the ability of medical groups and health systems to deliver care to the patients in their communities.² Congress delayed these PAYGO cuts the last three years, but by December 31, 2024, policymakers must eliminate the PAYGO cuts to ensure that providers' Medicare reimbursements are not cut substantially.

AMGA asks Congress to:

- **Eliminate any cuts to the Medicare conversion factor**
- **Eliminate the PAYGO cut**

¹ AMGA, (2024, August), Medicare Payment Cut Impact Survey, https://www.amga.org/getmedia/ee996ffa-d42e-4f8c-82ac-142875103761/2024_Medicare_Cuts_Survey_Results.pdf

² Congressional Budget Office, (2021, February 21), Letter to Honorable Kevin McCarthy, Potential Statutory Pay-As-You-Go Effects of the American Rescue Plan Act of 2021, [cbo.gov/system/files/2021-02/57030-McCarthy.pdf](https://www.cbo.gov/system/files/2021-02/57030-McCarthy.pdf)