



STRENGTHENING MEDICARE FOR PATIENTS AND PROVIDERS ACT **(H.R. 2474)**

Physicians continue to struggle to keep up with rising inflation that is layered on top of other long-standing financial pressures. Since 2001, the cost of running a medical practice has increased 39%, but CMS has only increased reimbursement for physicians by 11%. In fact, when adjusted for inflation, physician pay actually declined by 26% from 2001 to 2023.

The American Association of Orthopaedic Surgeons (AAOS) supports the Strengthening Medicare for Patients and Providers Act (H.R. 2474). This legislation would address payment uncertainty and close the gap between physician reimbursements and the rising costs of running a medical practice by providing an annual Medicare physician payment update tied to inflation as measured by the Medicare Economic Index (MEI).

Why This Legislation Matters:

Under current law, physicians are the only part of the health care system that does not receive the kind of annual, inflation-based payment update that is provided to hospitals, nursing homes, and other healthcare services. As a result, physician reimbursements have lagged far behind the rising costs of practicing medicine. To make matters worse, physicians have recently been placed at the center of an annual battle over payment cuts to meet statutory budget neutrality requirements. While we were pleased to see Congress take steps to mitigate these cuts, CMS recently finalized yet another Medicare payment cut in 2024, and the patchwork of yearly updates to the conversion factor continues to create significant instability for physicians.

Medicare's payment system is broken, and a permanent fix is needed to ward off potential physician shortages for Medicare beneficiaries and to slow rapidly accelerating consolidation in healthcare. The ever-growing financial pressures and administrative burdens associated with practicing medicine are driving physician burnout and creating an environment where smaller independent practices and independent physicians are eager to be bought-out by larger hospitals, health care systems and insurance companies. Accelerating vertical and horizontal consolidation in health care is reducing competition and threatening patients' access to high-quality care, particularly in rural areas and low-income and marginalized communities. Bringing physician payment into alignment with the actual costs of practicing medicine is the best way to fight back against this consolidation.

In their 2022 Annual Report, the Medicare Trustees' recognized these threats to patient care, saying, "absent a change in the delivery system or level of update by subsequent legislation" to fix long-range physician payment issues, "the Trustees expect access to Medicare-participating physicians to become a significant issue in the long term." By tying physician payment updates to the full MEI, the Strengthening Medicare for Patients and Providers Act is a critical step towards closing the gap between reimbursements and rising costs for physicians and protecting Medicare beneficiaries' access to care.

What Congress Should Do:

The AAOS recommends supporting H.R. 2474, the Strengthening Medicare for Patients and Providers Act.