



The *Medicare Access and CHIP Reauthorization Act of 2015* (MACRA) sought to stabilize physician payment rates in the Medicare fee-for-service (FFS) system and incentivize physicians to move into new value-based payment models. Despite its positive intent, the quality component of the program has proved burdensome and costly due to excessive reporting requirements and inadequate alternative payment model (APM) participation options. Under MACRA's revised methodology for annually updating the Medicare physician fee schedule (PFS), physician payments have not kept up with inflation or the cost of running a medical practice.

In addition to inadequate inflation-based payment updates, since 2021, medical practices have faced significant Medicare reimbursement cuts, requiring Congress to intervene. Medical groups absorbed a 1.68% cut in 2024 after Congress intervened to mitigate what would have been a harsher cut. A 2.83% cut to the Medicare conversion factor went into effect on Jan. 1, 2025, and will be in effect through the end of the year without congressional intervention.

According to MGMA data, physician practices saw total operating cost per FTE physician increase by over 63% from 2013–2022, while the Medicare conversion factor increased by only 1.7% over the same timeframe. Further, 92% of medical groups reported increased operating costs in 2024. This demonstrates the tenuous financial situation medical group practices face nationwide and the significant reimbursement and cost challenges MGMA sees continuing through 2025.

CONGRESSIONAL ATTENTION

In recent years, Congress has considered, and in some cases finalized, legislation to mitigate Medicare PFS cuts as part of a year-end package. However, these end-of-year mitigation efforts do not cover the full impact of the cuts and are often used as a negotiation tactic for a larger budget agreement. MGMA supports congressional action focused on improving Medicare physician pay independent of year-end reconciliation efforts.

87%

**OF MEDICAL GROUPS REPORT
REIMBURSEMENT NOT KEEPING
UP WITH INFLATION WOULD
IMPACT CURRENT AND FUTURE
MEDICARE PATIENT ACCESS**

Source: [MGMA's 2023 Annual Regulatory Burden Report](#)



ADVOCACY PRIORITIES

- ➔ **Reform Medicare Part B to provide annual inflation-based physician payment updates** based on the Medicare Economic Index (MEI)
- ➔ **Modernize the budget neutrality aspect of the Medicare payment system** to stop the harmful effects of this outdated policy on physician reimbursement
- ➔ **Provide positive financial incentives to support practices transitioning into value-based care** that don't rely on a tournament-style redistribution of Medicare funds that creates winners and losers
- ➔ **Oppose efforts to use sequestration and PAYGO rules to offset unrelated congressional spending** to the detriment of Medicare providers
- ➔ **Advance policies that incentivize and reward Part B providers** to reduce the total cost-of-care in the overall Medicare program