Modernize Medicare Physician Payment

Congress should pass the *Patients First Act* (H.R. 9693) to enact necessary reforms to Medicare physician payment, including providing an inflationary update and increased investment in primary care.

Background

Family physicians are facing unprecedented financial and administrative pressures. While practice expenses have increased dramatically over time, Medicare physician payment has failed to keep pace with inflation and remains the only major Medicare provider payment system without a permanent inflationary update. At the same time, existing payment mechanisms continue to undervalue primary care and create instability for independent physician practices.

These challenges are particularly acute in rural and underserved communities, where family physicians often serve as the primary source of health care access. Without meaningful reform, continued financial instability threatens patient access to comprehensive primary care services and accelerates consolidation within the health care system.

On average, the U.S. only spends 3 to 5 cents of every dollar on primary care.

Further, Medicare's physician payment system continues to rely primarily on fee-for-service (FFS) payment, which is designed to reimburse discrete services rather than the comprehensive, continuous care that family physicians provide. Under the Medicare Physician Fee Schedule (MPFS), physicians are paid based on individual billing codes, a structure that often undervalues prevention, care coordination, chronic disease management, behavioral health integration, and other activities that are essential to high-quality primary care.

Medicare physician payments have *declined by 33%* between 2001 – 2025 when adjusted for inflation.

Alternatively, value-based payment (VBP) arrangements that provide prospective, predictable payments to primary care physicians hold promise. These arrangements have been shown to give patients the financial stability and flexibility necessary to deliver truly comprehensive, patient-centered care.

Unfortunately, the structural shortcomings of FFS have made it difficult for family physicians to transition successfully to VBP. Most alternative payment models are built upon an underlying FFS framework, meaning that inadequate FFS payment rates directly affect the resources available for practice transformation. Physicians often lack the predictable, prospective funding needed to invest in staff, technology, care coordination infrastructure, and workflow changes that support accountable, value-based care.

Without broader reforms to the MPFS, including more stable payment updates and increased support for prospective primary care payments, many family physicians will continue to face barriers to participating in and succeeding under value-based payment arrangements. Changes must be made to Medicare payment policies in order to reverse our national underinvestment in primary care and the trusted longitudinal relationships that are associated with better outcomes, lower costs, and improved patient experiences.

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The Patients First Act

The bipartisan *Patients First Act* (H.R. 9693), led by Drs. Schrier (D-WA), Joyce (R-PA) and Murphy (R-NC), takes important steps to address these longstanding shortcomings by creating more stable physician payment, better supporting primary care, modernizing quality measurement, and reforming outdated budget neutrality requirements. The legislation addresses five key categories of interest to family physicians:

1. Creates more stable physician payment by providing an annual inflationary update, based on the Medicare Economic Index. The update would be equal to MEI minus 1%, with a floor of 25% of MEI and a ceiling of 75%.

2. Establishes a five-year primary care pilot program for independent practices. Medicare would pay eligible primary care clinicians a prospective, per-member-per-month payment for office visits, care management, patient communications, and behavioral health integration. Patient cost-sharing for the PMPM would be waived, ensuring that financial barriers do not keep patients from accessing timely, comprehensive primary care.

3. Replaces the Merit-based Incentive Payment System with a new program and establishes a physician-led quality measurement task force at HHS to ensure that each specialty has more clinically relevant quality measures, decided upon by their peers.

4. Reforms long-outdated budget neutrality requirements for physician payment, which have not been changed since the 90's. This includes increasing the threshold for budget neutrality adjustments, addressing over- and under-utilization assumptions by CMS, and requiring more timely data inputs for direct practice costs.

5. Freezes the existing advanced alternative payment model threshold for three years and gives the Secretary additional flexibility to further reduce thresholds if necessary to drive participation into new models.

Legislative Solution

Congress should pass the bipartisan *Patients First Act* (H.R. 9693). Enactment of this legislation will take meaningful steps to modernize Medicare physician payment and strengthen access to comprehensive, whole-person primary care for seniors in the decades to come.

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