AMERICAN ACADEMY OF FAMILY PHYSICIANS

November 15, 2023

The Honorable Brett Guthrie
Chairman
House Committee on Energy and Commerce,
Health Subcommittee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Anna Eshoo
Ranking Member
House Committee on Energy and Commerce,
Health Subcommittee
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Guthrie and Ranking Member Eshoo:

On behalf of the American Academy of Family Physicians (AAFP), representing more than 129,600 family physicians and medical students across the country, I write to thank the Subcommittee for holding today's markup on legislation intended to address issues impacting family physicians and their patients through the Medicare program.

Last month, Dr. Steven Furr, then President-Elect and now President of the AAFP, was invited to testify before the Subcommittee on these very issues. As noted in his testimony, the piecemeal approach fee-for-service (FFS) payment and the Medicare Physician Fee Schedule (MPFS) take to finance primary care undermines and undervalues the whole-person approach integral to primary care. For these reasons, the AAFP has long-supported the transition to value-based payment through alternative payment models (APMs) for family physicians ready to move away from FFS toward payment policies that promote and finance comprehensive, continuous, coordinated primary care. Together, the failings of FFS are jeopardizing many community-based primary care practices, driving consolidation, and eroding patients' timely, affordable access to primary care in their own neighborhood.

The Medicare Access and CHIP Reauthorization Act (MACRA) sought to create incentives in Medicare to provide seniors with better quality care rather than just greater volume of care. It permanently repealed the sustainable growth rate (SGR) and set up the two-track Quality Payment Program (QPP) that emphasizes value-based payment. However, while the elimination of the SGR was lauded by the physician community at the time, MACRA has left the majority of Part B clinicians in a similar state of financial insecurity as Medicare payment rates failed keep pace with practice costs amid a dearth of value-based payment model options. We urge Congress to work with the physician community to address MACRA's shortcomings and protect beneficiaries' timely access to care, including by:

- **Providing physicians with financial relief from the full 3.4 percent payment cut they are facing in 2024**, without in any way delaying the implementation of the add-on code known as G2211;
- **Implementing long-term reforms to the Medicare Physician Fee Schedule, including an annual inflationary update and addressing budget neutrality requirements**, which hamstring CMS' ability to appropriately pay for all the services a beneficiary needs;

1133 CONNECTICUT AVE., N.W., STE. 1100 | WASHINGTON, DC 20036-4305 | (800) 794-7481 | (202) 232-9033

- **Extending the physician work Geographic Cost Practice Index (GPCI) floor of 1.0** to ensure that rural practices are not taking additional financial hits that threaten their ability to stay afloat; and
- **Extending the advanced alternative payment model (AAPM) incentive payment at the original five percent.**

Earlier this month, CMS finalized the Calendar Year 2024 MPFS, in which they included policies that will better support Medicare beneficiaries' access to longitudinal, comprehensive primary care, including implementation of the G2211 add-on code for outpatient/office-based evaluation and management visits. The AAFP strongly believes that G2211 will more appropriately value the complex, continuous services family physicians provide as part of an ongoing relationship with a patient and **we continue to urge Congress to be supportive of this proposal by doing nothing to delay its implementation.**

Despite these investments, however, **the AAFP remains deeply concerned that a finalized reduction of 3.4 percent to the Medicare conversion factor will result in untenable payment cuts for all physicians**. Physician practices across the country are facing a barrage of converging policy developments in 2024 that threaten to worsen a growing primary care crisis, including:

- A statutory freeze on annual Medicare physician payment updates, which is exacerbating already low physician payment rates that have failed to keep up with the cost of inflation – and thus the cost of providing physician services;
- Statutory budget neutrality requirements that require CMS to offset long overdue, urgently needed investments in primary care by lowering the Medicare conversion factor, and therefore payments for every physician service;
- Across the board sequestration cuts that further reduce payments to physicians and other clinicians;
- Expiration of a geographic payment adjustment floor for physician work, which will yield greater payment cuts for rural physician practices;
- Statutory requirements that force CMS to increase the Merit-based Incentive Payment System (MIPS) performance threshold, which CMS estimates will result in a negative payment adjustment for most clinicians in small and medium sized practices, whom patients in rural and other underserved areas rely on for their care; and
- Expiration of the AAPM bonus, which will undermine progress toward value-based payment models that provide clinicians with the support and flexibility they need to deliver better care at lower costs.

Physician practices cannot weather these annual payment reductions any longer. Both MedPAC and the Board of Trustees have recently raised concerns about rising costs for physician practices and impacts on patient care, with each body recommending Congress provide payment updates for physicians. Specifically, the Board of Trustees warned that, without a sufficient update or change to the payment system, they "expect access to Medicare-participating physicians to become a significant issue in the long term."[1] Congress must heed these warnings and provide physicians relief from the full 3.4 percent conversion factor payment reduction.

The AAFP continues to reiterate the urgent need for Congress to prioritize the advancement of necessary, long-term reforms to Medicare's outdated physician payment system that will address unsustainable fee-for-service (FFS) payment rates for physicians, promote patients' access to high quality, comprehensive primary care, and improve health outcomes.

Physician payment is one of the only systems under Medicare that does not currently receive an annual inflationary update. There is a significant discrepancy between what it costs to run a physician practice and the actual payment we receive, placing many small, independent practices in a state of financial ruin that leaves them with virtually no options other than to be acquired by a health system or payer, or close their doors entirely. **The Academy continues to advocate alongside the entire physician community in support of legislation that would provide an annual inflationary update to Medicare physician payment based upon the Medicare Economic Index (MEI).**

We also urge Congress to provide relief from the zero-sum budget neutrality requirements that undermine positive policy changes and hamstring CMS' ability to appropriately pay for all the services a beneficiary needs. The Academy appreciates the Subcommittee's consideration of legislation that proposes reforms such as increasing the budget neutrality threshold to $53 million, allowing payment corrections for utilization overestimates or underestimates, and minimizing annual swings to the conversion factor. This is an important first step and we look forward to working with the Subcommittee and others to build upon these proposals and advance policies that will meaningfully reform budget neutrality to strengthen Medicare for physicians and their patients.

In addition to already being insufficient, Medicare payments for physician services are also adjusted based on the geographic area where a physician works through geographic practice cost indices (GPCIs). Specifically, Medicare will pay more for a physician's service in an area where approximate costs for a physician's time, skills, and effort are higher than the national average and less in an area where costs are lower. This current structure of low payment can prevent rural physicians from being able to feasibly accept as many patients as urban and suburban physicians, further disadvantaging individuals living in those areas and consequently reducing their access to primary care services.

For these reasons, **the Academy strongly supports the elimination of all geographic adjustment factors from the Medicare Physician Fee Schedule except for those designed to achieve a specific public policy goal**, such as encouraging physicians to practice in underserved areas. Congress has previously acted to apply a temporary floor of 1.0 to raise the physician work GPCI value to the national average for localities with values below it. That floor is set to expire at the end of this year without Congressional action, which would result in even greater payment cuts for rural physician practices and undoubtedly jeopardize their ability to stay financially afloat. GPCI floors reduce the geographic variations in Medicare payments, a step toward the elimination of geographic modifiers for which the AAFP advocates.

If we want to do a better job of recruiting and retaining rural physicians, this is one place to start. Patient care provided in a rural area should not be valued less by Medicare than physician work provided elsewhere. Therefore, **we appreciate the Subcommittee's consideration of legislation that would provide a one-year extension of the physician work GPCI floor of 1.0 to any locality that would otherwise have an index value below that level.** We continue to advocate for the overall elimination of geographic modifiers, but believe this is an important first step.

To meaningfully accelerate the transition to value-based payment, the Academy has consistently called for greater federal resources to appropriately support and sustain physician practices moving into APMs. One of these resources has been the incentive payment for practices participating in AAPMs, which was originally enacted at five percent. The AAPM incentive payments have served as an important tool for attracting physicians to participate in advanced APMs, which require significant upfront (and often ongoing) investments in new staff, technology, and other practice improvements. Primary care practices have also used the AAPM bonus payments to offset the cost of investing in care delivery transformation that drives success in these models by improving patient outcomes and lowering spending.

The Consolidated Appropriations Act of 2023 extended the then-expiring incentive payment for an additional year at 3.5 percent. However, the payment is yet again set to expire at the end of 2023 and, if not reauthorized, will institute an additional barrier to continued AAPM participation for physician practices and further impede family physicians' ability to transition value-based payment models.

The expiration of the AAPM bonus poses a broader threat to AAPM participation as physicians may elect to leave an AAPM altogether because they could potentially receive a larger positive MIPS payment adjustment (and would be statutorily excluded from receiving a MIPS adjustment if they were to participate in an AAPM). **The AAFP continues to strongly urge Congress to extend it at the original five percent.**

Thank you for your continued focus on these important issues, and the AAFP looks forward to continuing to work with you and your colleagues to advance policies that will meaningfully reform and strengthen the Medicare program for both patients and physicians. Should you have any questions, please contact Natalie Williams, Senior Manager of Legislative Affairs at nwilliams2@aafp.org.

Sincerely,

Tochi Iroku-Malize, MD, MPH, MBA, FAAFP
American Academy of Family Physicians, Board Chair

[1] 2023 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Accessed April 6, 2023: https://www.cms.gov/oact/tr/2023