

What doctors want patients to know about Medicare physician payment



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Amid ongoing discussions and debates surrounding health care policies, one pivotal subject under scrutiny is the Medicare physician payment system. The problem is that Medicare physician payments are not keeping up with inflation. In turn, that has serious repercussions for patients' access to care.

Most physicians understand the need for Medicare payment reform, but it is also [important for patients to understand the issue and advocate for change](#). That begins with understanding Medicare physician payment and what this means for patients, as well as squashing some myths.

The AMA's What Doctors Want Patients to Know™ series provides physicians with a platform to share what they want patients to understand about today's health care headlines.

In this installment, AMA President-elect [Bruce A. Scott, MD](#), an otolaryngologist and facial plastic surgeon in Louisville, Kentucky, discusses what patients need to know about Medicare physician payment.

Medicare payment is a complex formula

"Each year, [Medicare](#) determines the next year's rates for each and every physician service based on a variety of data sets and formulas. It's a complex process," Dr. Scott said, noting that "physicians don't find out what next year's payment rates will be until November, at the earliest.

“Then physicians have to decide whether to participate, which means that they will accept the Medicare payment rate—along with a 20% patient copayment they are required to charge—as payment-in-full for their services provided, or to not participate in exchange for being able to charge patients a slightly higher copayment,” he added. “Most patients who have Medicare go to physicians who are participating providers. And traditionally, most physicians have been participating providers.”

It’s an unsustainable situation

“Health care costs are rising every year, and I recognize that health care costs are significant and a challenge for many families,” Dr. Scott said. “One of the myths is that physicians, who are the face of the health care encounter, collect all those charges themselves when, in fact, they are often only a small part of that health care spend.”

“Most patients would be surprised to learn that physician pay is actually 15% of the total health care expenditure. Yet many times it's the physician who the patient sees as the cost factor in health care,” he noted. “Take my practice, for example. If I perform a tonsillectomy, the bill will be for thousands of dollars and yet my practice receives about \$300 for performing that surgical procedure. And that includes 90 days of postoperative care.”

“Another myth is that that \$300 goes directly into my pocket. No, out of that \$300, I pay my rent, the salaries for my staff, the expenses for my medical equipment, all of which are going up every year,” Dr. Scott said. “And yet that \$300 is actually less than my partner earned for the same tonsillectomy 25 years ago. It's simply an unsustainable situation.”

Leading the charge to reform Medicare pay is the first pillar of the [AMA Recovery Plan for America’s Physicians](#).

The AMA has challenged Congress to work on systemic reforms and [make Medicare work better for you and your patients](#). Our work will continue, fighting tirelessly against future cuts—and against all barriers to patient care.

Payment isn't adjusted for inflation

The complex Medicare payment “formula is supposed to reflect the cost of practice for physicians,” among other things, Dr. Scott said, noting that, unfortunately, physicians are the only type of Medicare provider whose payment formula does not increase with inflation.

“In fact, just this last year, while all of us faced lots and lots of increased costs due to general inflation that could be said to be a record level, [physician pay for Medicare was actually cut](#),” he added.

“If we go back to 2001, practice costs, even by the government’s own calculation, have gone up 54%. Yet during that same period of time, physician pay from Medicare has been increased by only 8%,” Dr. Scott said. Adjusting for inflation in practice costs, Medicare “physician pay over the last 23 years [has actually been cut 30%](#). It’s simply unsustainable.”

“Patients suffer when Medicare rates don’t keep up with inflation because physicians are forced to make difficult choices,” he said, emphasizing that “in some cases, physicians will stop practicing altogether or pursue other careers.”

Access to care will suffer

“A [recent survey by the AMA](#) found that one in five physicians are seriously considering stopping practice altogether or pursuing a different career sometime in the next two years,” Dr. Scott said. “Other physicians will have to limit the number of Medicare patients that they see. Some physicians will decide that what they need to do is stop participating in Medicare altogether.”

“All of this is going to harm patients because access is going to suffer,” he said. “Medicare patients deserve the opportunity to continue to be seen by the trusted physicians with whom they’ve established a relationship.”

“As the cuts continue and the system spirals down, physicians are going to be faced with very difficult choices that are going to impact their patients,” Dr. Scott emphasized.

Private practices are struggling

"All physicians are struggling, but particularly private practice physicians," Dr. Scott said. That is "because we have to pay those bills every week when they come in and we have to pay our salaries to our staff."

"We struggle because the payment that we receive directly from the payers, whether it's Medicare or other payers, has been cut basically every year during my practice for the last 20-plus years," he added.

Medicare pay has a ripple effect

"Private payers recognize the spiraling downward trend of Medicare payment and reimbursement, and as a result, they have linked their payment contracts to a percentage of Medicare," Dr. Scott said. "As a result, the payment from private payers goes down every year" along with Medicare.

"One of the other challenges we face is that there's been [consolidation within the private payer market](#), and as a result, physicians have no negotiating leverage with them," he said. "For example, there's one insurance company in my market that controls 60% of our private payers. They have offered us rates that are less than what they paid us in 2017."

"Truthfully, we have very few options. We don't want to abandon our patients. And frankly, accepting the contract will be challenging financially for our practice," Dr. Scott said, adding that "walking away from the contract would be an equal or a greater challenge for us."

"Physicians have absolutely no negotiating power with Medicare. The rates are fixed, the rates are defined, and you can either participate or you can drop out," he added, noting "most physicians haven't been willing to drop out and leave their patients behind."

Patients can get involved

"The patients are stuck in the middle. Truly they are. But the patients can get involved and they have the opportunity to let their voices be heard," Dr. Scott said, noting "the AMA has

created the [Patients Action Network](#). Patients can go online to this website and see the stories from other patients like them who are struggling to maintain the relationship with their physician because of the Medicare cuts.

“They can share their experiences and let their legislators know exactly what challenges they face in finding a physician to take care of them,” he added. “For those of us who are approaching the Medicare age, we’re going to have a particular challenge because many physician practices are no longer able to accept new Medicare patients.”

“Current Medicare patients, thankfully, are living longer than ever before. And most physician practices are overrun right now with the number of Medicare patients that they have,” Dr. Scott said. “The result is patients will suffer because they won’t have the access to the physicians that they need.”

Let your voices be heard

“The AMA is raising awareness of the problem with resources like the Patient Action Network and talking to legislators ourselves,” said Dr. Scott. “In fact, we’ve been fortunate to have legislation introduced on a bipartisan level. The [Strengthening Medicare for Patients and Physicians Act is pending right now](#) in Congress.

“We need patients, and we need physicians, to get involved to let their voices be heard. Physicians: We encourage you to go to [FixMedicareNow.org](#) and let your legislators know how you’re struggling to make ends meet within your practice,” he added. Patients: We encourage you to go to the [Patients Action Network](#).”

“The fiscal stability of physician practices, and thus for health care as a whole, is in trouble. If we don’t act now, I fear that access for our older population and those patients who need Medicare will suffer,” Dr. Scott said. “It’s simply unacceptable for us to continue on the downward spiral that we’ve been on for the past 22 years.”

“As physicians, our top priority is always taking care of our patients, but every year it’s getting harder and harder as we face the fiscal realities of continually shrinking Medicare payments,” he said.

“We want to be able to take care of our patients. This is why we became physicians in the first place,” Dr. Scott added, emphasizing that “all we want is to be fairly compensated for the care that we provide so that we can keep our doors open and we can continue to provide” high quality care to Medicare patients.