

We must fix Medicare now. Here are 8 reasons why.



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Physicians have spent more than a decade pushing for changes to the Medicare physician payment system so that they have the financial resources to keep caring for the nation's oldest citizens.

But the necessary reforms still haven't come to fruition.

The situation has even prompted Medicare's guardians to echo physicians' concerns, with the [2024 Medicare Trustees Report](#) warning that absent a change in the delivery system or level of payment update, the nation can expect that "access to Medicare participating physicians to become a significant issue in the long-term."

As physicians are facing another proposed 2.8% cut in 2025, the AMA is saying "physicians need your support and America's patients need your protection." A [piece published in Politico](#) (PDF) outlines eight reasons why the U.S. needs to fix the Medicare physician payment system.

The AMA is leading the charge to [reform the Medicare payment system](#), which is the [AMA's top advocacy priority](#).

Here are the eight reasons.

As practice costs increase, physician payments have declined. The cost of running a physician practice has increased by nearly 50% since 2001. Yet, physicians are one of the few Medicare providers that don't receive a payment update tied to inflation. The result: When adjusted for inflation, [Medicare physician pay has plummeted 29% since 2001](#). The AMA supports the bipartisan "[Strengthening Medicare for Patients Providers Act](#)," that

would provide physicians with an annual Medicare payment update tied to the Medicare Economic Index (MEI).

Incorrect assumptions drain funds from the payment pool. Inaccurate future utilization assumptions have permanently removed billions of dollars from the payment pool for physicians. Projections about a practice's future work are made to meet CMS's budget neutrality rules. The AMA says that needs to be revamped. The bipartisan "[Provider Reimbursement Stability Act](#)" bill would reform the Medicare payment schedule budget neutrality policies by, among other things, requiring CMS to reconcile inaccurate utilization projections based on actual claims and prospectively revise the conversion factor accordingly.

Temporary patches to the payment system are unsustainable. At the beginning of 2024, Congress stepped in to reduce a 3.37% physician pay cut to 1.69%. Even with the reduction, [physicians' ability to keep up with practice costs and consumer prices is hindered](#).

Continued pay cuts limit Medicare patients' options. With payments not keeping up with inflation, some physician may need [to limit the number of Medicare patients](#) they see and others may stop participating in Medicare. Delays in accessing care and scheduling appointments are already being seen across the nation as the country faces a [physician shortage](#). By 2023, experts believe the United States will be short as many as 86,000 physicians.

Without change, all Americans risk losing access to quality care. Without [long-term solutions](#), physicians won't be able to pay staff, purchase new equipment or invest in their practices.

The development of alternative payment models (APMs) has stalled. Most physicians still can't use [APMs](#), which have been promoted as a way to deliver better care at a lower cost. The AMA supports the bipartisan "[Value in Health Care \(VALUE\) Act](#)" bill that would extend the original 5% APM incentive payments and freeze the 50% revenue threshold for an additional two years.

Health care access in rural and underserved communities will decline. The [Merit-based Incentive Payment System](#) (MIPS) costs physicians about \$12,800 each to participate. That's an especially tough amount for rural and resource-stressed small practices to absorb, [studies](#) have shown.

A rational payment system would better meet American's needs. Patients and physicians would [benefit with reforms](#) that ensure financial stability and predictability, promote value-based care and safeguard access to high-quality care. Changes would help small practices in rural and urban areas thrive.

The AMA is working relentlessly to build understanding on Capitol Hill about the [unsustainable path the Medicare payment system is on](#). The AMA'S [Medicare Basics series](#), provides an in-depth look at important aspects of the Medicare physician payment system. With these six straightforward explainers, policymakers and physician advocates can learn about key elements of the payment system and why they are in need of reform.

Visit [AMA Advocacy in Action](#) to find out what's at stake in [reforming Medicare payment](#) and other advocacy priorities the AMA is actively working on.