**Medicare Physician Practice Payment Reform**

**Background**

Since December of 2020, Congress has acted annually to mitigate statutorily required reductions to the Medicare Physician Fee Schedule (MPFS) by applying a temporary positive adjustment to the MPFS conversion factor (CF) ­­- the basic starting point for calculating Medicare reimbursement. Most recently, the 2024 CF included an additional 2.93% positive update to the CF.

Unfortunately, Congress let that temporary positive adjustment expire at the end of 2024 and has not acted to provide relief for 2025, which has resulted in a 2025 CF that is approximately 2.83% below the 2024 CF.

**Issue**

The current Medicare physician payment system is broken. Systemic issues such as the negative impact of the MPFS’s budget neutrality requirements are amplified by the lack of a Medicare Economic Index (MEI)-based inflationary update, which would allow Medicare reimbursement to keep pace with the true cost of practice. As one of the only fee schedules without an inflationary update, physicians are particularly vulnerable to compounding financial factors that generate significant instability for health care professionals and threaten beneficiaries’ timely access to essential health care services.

Acknowledging a permanent fix to the MPFS will require a significant investment from Congress, ACR stands ready to discuss policy options that could offset the cost of permanent reform such as the implementation of the modernized PAMA Appropriate Use Criteria (AUC) program as outlined in the ROOT Act.

**House and Senate Request**

Take initial steps now to address the broken Medicare physician payment system by adding an annual payment adjustment based on the Medicare Economic Index (MEI) and reform the budget neutrality requirements which have caused significant problems for the Medicare physician payment system over the years.