

Congressional Spending Bill Excludes Physician Payment Increase

On December 21, 2024, President Biden signed a stopgap spending bill that avoided a government shutdown and funds the federal government through March 14, 2025.¹ Perhaps more notable than what was included in the spending bill was what was excluded. While the COVID-era telehealth waivers were temporarily extended, no physician payment increases were included, meaning physicians will experience a 2.93% pay cut in 2025. This Health Capital Topics article discusses the status of physician payments as well as the status of any future “doc fix” legislation.

Physician payments are updated annually by the Centers of Medicare & Medicaid Services (CMS) via the Medicare Physician Fee Schedule (MPFS) conversion factor. The conversion factor translates a relative value unit (RVU) – a geographically-adjusted measure of resources required to perform a procedure – into a payment amount for a given service.² This conversion factor is updated each year using a formula that accounts for:

- (1) The previous year’s conversion factor;
- (2) The estimated percentage increase in the Medicare Economic Index (MEI) for the year (reflecting inflationary changes in office expenses and physician earnings); and
- (3) An update adjustment factor.³

All physician services, except anesthesia services, use a single conversion factor.⁴

On November 1, 2024, CMS published the MPFS final rule for calendar year (CY) 2025, which reduced the conversion factor by 2.83% (from \$33.29 to \$32.35), marking the fifth straight year that CMS has decreased the MPFS conversion factor.⁵ This update results in an average payment rate reduction of 2.93%, as a result of “the 0% update required by statute for CY 2025, the expiration of the 2.93% temporary increase in payment amounts for CY 2024 required by statute, and a small [0.02%] budget neutrality adjustment necessary to account for changes in valuation for particular services.”⁶ In addition, CMS noted that it anticipates provider expenses to increase by 3.6% in 2025, meaning the 2.93% reduction will effectively amount to a 6.4% cut.⁷

After the publication of the final rule, provider associations lobbied Congress to pass legislation ameliorating the cuts, resulting in the introduction of a

new, bipartisan bill to increase physician pay by 4.73%,⁸ turning CMS’s 2.93% pay cut into a 1.80% increase (which equates to half of the MEI for 2025⁹). The bill garnered support from 155 medical organizations, including the Medical Group Management Association (MGMA) and the American Medical Association (AMA).¹⁰ Ultimately, that bill did not progress; instead, an increase to physician payments was included in the originally proposed continuing resolution. Specifically, the funding bill contained a 2.5% increase to physician payments, nearly canceling out the cut, as well as two-year extensions for the telehealth waivers and flexibilities.¹¹ It also eradicated an \$8 billion safety-net hospital cut and extended for another year 3.5% bonuses for accountable care organizations (ACOs) participating in advanced payment models (APMs).¹² However, the original spending bill (as well as a second proposed bill) was politically torpedoed. In an effort to keep the government running, legislators passed a last-minute, stripped-down spending bill that excluded all of these measures except for a three-month extension of the telehealth waivers and flexibilities (until April 1, 2025) and a delay of the safety-net hospital cut.¹³

Provider associations lambasted Congress’s inability to ameliorate the Medicare physician payment cuts. The MGMA called it “a huge congressional failure to the detriment of the nation’s Medicare patients and their physicians.”¹⁴ The AMA stated that it “utterly fails to address declining reimbursement rates for Medicare, pushing our health system down a path that will have predictable and deleterious results. For the fifth consecutive year, Congress has adjourned and allowed Medicare cuts. What will be the result? Patients struggling to access health care. Physicians closing or selling their private practices while others opt to leave the profession.”¹⁵

When adjusted for inflation, MPFS reimbursement has declined 33% since 2001.¹⁶ Similarly, MGMA data on physician practices indicate that total operating cost per full-time equivalent (FTE) physician increased by more than 63% between 2013 and 2022, while the MPFS conversion factor increased by only 1.7% over the same timeframe.¹⁷ Physicians have been sounding the alarm on Medicare reimbursement challenges for years. In response to a 2023 survey conducted by MGMA, “87 percent of medical group practices said reimbursement

not keeping up with inflation would impact current and future Medicare patient access,” and “92 percent of medical groups reported an increase in operating costs in 2024.”¹⁸ While provider associations have been calling for a more comprehensive overhaul of physician payment updates, to avoid such end-of-the-year overrides, such

legislation has been kicked down the road once again. Provider associations have called on Congress to pass both retroactive physician payment rate increases and comprehensive reform to the MPFS; whether Congress can and will do so remains to be seen.

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- 10 “Murphy Introduces Bipartisan Legislation to Protect Medicare for Physicians and Patients” Press Release, U.S. Congressman Gregory F. Murphy, MD, October 29, 2024, <https://murphy.house.gov/media/press-releases/murphy-introduces-bipartisan-legislation-protect-medicare-physicians-and> (Accessed 11/12/24).
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Todd A. Zigrang, MBA, MHA, FACHE, CVA, ASA, ABV, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has 30 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,500 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of *"The Adviser's Guide to Healthcare - 2nd Edition"* [AICPA - 2015], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Guide to Valuing Physician Compensation and Healthcare Service Arrangements (BVR/AHLA)*; *The Accountant's Business Manual (AICPA)*; *Valuing Professional Practices and Licenses (Aspen Publishers)*; *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. Additionally, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); the National Association of Certified Valuators and Analysts (NACVA); the American Health Lawyers Association (AHLA); the American Bar Association (ABA); the Association of International Certified Professional Accountants (AICPA); the Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute. He also serves on the Editorial Board of *The Value Examiner* and *QuickRead*, both of which are published by NACVA.



Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Certified Valuation Analyst (CVA) designation from NACVA. Mr. Zigrang also holds the Accredited in Business Valuation (ABV) designation from AICPA, and the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter. He is also a member of the American Association of Provider Compensation Professionals (AAPCP), AHLA, AICPA, NACVA, NSCHBC, and, the Society of OMS Administrators (SOMSA).

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Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.



Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer (American Bar Association)*; *Physician Leadership Journal (American Association for Physician Leadership)*; *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner (NACVA)*; and *QuickRead (NACVA)*. She has previously presented before the American Bar Association (ABA), the American Health Law Association (AHLA), the National Association of Certified Valuators & Analysts (NACVA), the National Society of Certified Healthcare Business Consultants (NSCHBC), and the American College of Surgeons (ACS).



Janvi R. Shah, MBA, MSF, CVA, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis and the Certified Valuation Analyst (CVA) designation from NACVA. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.



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