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# WASHINGTON UPDATE



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**April 14, 2023**

Welcome to "Washington Update," the weekly e-newsletter on the latest health care happenings in the nation's capital that affect APG's members.

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### **MedPAC Advances Site-Neutral Payment Recommendation**

Congress should more closely align Medicare payment rates for services that can be provided safely across ambulatory settings, the Medicare Payment Advisory Commission (MedPAC) advised Congress at its April 2023 public meeting this week. The commission's recommendation, which will be formalized in its June 2023 report to Congress, is consistent with MedPAC's longstanding view that Medicare should base payment rates on the resources needed to treat patients in the most efficient, highest-quality and lowest-cost setting available.

The commission noted that Medicare now pays three separate and distinct payment rates for services performed in physician offices, ambulatory surgery centers (ASCs), and hospital outpatient departments (HOPDs). Depending on the service, Medicare pays up to 2.5-times more for services performed in a hospital outpatient setting versus a physician office or walk-in clinic.

In its June 2022 [report](#), MedPAC's staff observed that this payment differential has prompted consolidation of physician practices with hospitals so that care will be reimbursed at higher rates. As hospitals acquire more physician practices and more physicians become employed by hospitals, MedPAC noted, large shifts in billing from the Medicare physician fee schedule to the hospital outpatient prospective payment system have occurred for chemotherapy administration, echocardiography, cardiac imaging, and office visits. In addition to costing Medicare more overall, the shift has resulted in higher beneficiary cost sharing without producing significant improvements in patient outcomes.

Despite its push for more site-neutral payments, MedPAC has noted that some services can be safely provided only in HOPDs for most beneficiaries. As a result, it is vital that HOPDs are "adequately reimbursed to remain a viable setting for the provision of those services," the commission wrote last year. Higher payment rates should thus be maintained for emergency department, critical care, and trauma care visits to reflect the hospital-level costs of items and services provided.

MedPAC's recommendation could now spur further consideration of so-called site-neutral payment considerations in Congress, as lawmakers in both the House and Senate examine ways to curb federal spending. APG will closely watch and report to members on further developments.

### **Telehealth: Jury is Still Out on Cost-Effectiveness**

A key issue that rose to the fore in the COVID-19 public health emergency (PHE) is the cost-effectiveness of greater use of telehealth services. Judging from a draft MedPAC report released Friday during the commission's April public meeting, the jury is still out on this essential question.

MedPAC was charged by Congress in 2021 with reporting by June 2023 on the use of telehealth services during the PHE and the impact of expanded telehealth coverage on access and quality—as well as making recommendations on Medicare payment policy for telehealth services. A draft of that report shared with MedPAC commissioners this week used Medicare claims data from 2019-2021 and found that use of telehealth services during the pandemic did improve access to care for some Medicare beneficiaries. The total, per-beneficiary cost of increased telehealth services during the period was \$165. The spending did not lead to improved patient outcomes, the draft study found.

MedPAC officials cautioned that the study is limited in scope and provides an incomplete picture of telehealth utilization and its impact. Among the unanswered questions are how much telehealth use displaced in-person care that would otherwise have occurred, whose costs obviously can't be captured in claims. Another unknown is how outcomes for Medicare beneficiaries would have been different had they lacked access to both telehealth and in-person care.

MedPAC Executive Director Jim Matthews said that more research is needed before "permanent actions" are taken to extend payment flexibilities for telehealth in fee-for-

service Medicare, which Congress has extended through 2024. MedPAC did not make a formal recommendation on telehealth policy but will include the results of its study in its June report to Congress.

### **Bipartisan Bill Would Tie Physician Payment to Increases in Practice Costs**

Physicians participating in Medicare would get a pay bump tied to increases in practice cost inflation under bipartisan [legislation](#) introduced this month by four physician-members of Congress. The bill (HR 2474), introduced by Rep. Raul Ruiz (D-CA) and co-sponsored by Reps. Larry Bucshon (R-IN), Ami Bera (D-CA), and Marianne Miller-Meeks (R-IA), would link increases in the physician fee schedule to the full annual increase in the Medicare Economic Index (MEI) beginning in 2024.

The proposed legislation would produce even greater increases in Medicare physician pay than MedPAC [proposed](#) last month, when the commission recommended that the update in 2023 be tied to 50 percent of the MEI. Such increases would begin to offset a long downward drift in doctors' real Medicare pay that has not kept pace with increased practice costs. The American Medical Association estimates that, after inflation, Medicare physician payment has effectively [declined](#) by 26 percent from 2001 to 2023.

The bill could factor into a broader Congressional discussion later this year about reworking the complex formulas that currently dictate Medicare physician payment. APG [helped inform](#) some of that discussion late last year, providing comments to both Bucshon and Bera on how best to modernize the Medicare Access and CHIP Reauthorization Act (MACRA).

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