

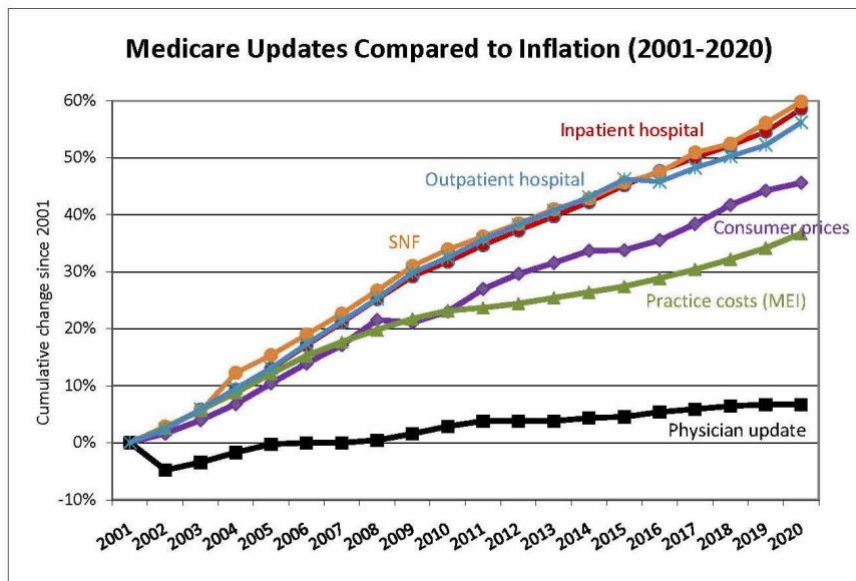
Avoiding the Impending Medicare Payment Cliffs

In addition to the unprecedented mental and physical toll the COVID-19 pandemic has taken on emergency physicians and other frontline providers, looming payment cuts threaten the health care safety net that is already under significant strain. Without congressional action, emergency physicians and other physician specialties will see major cuts to Medicare payments, which will ultimately endanger access to the lifesaving care that patients need and deserve.

1. **Medicare Sequestration Cuts.** Since 2013, Medicare has been subject to automatic annual “sequestration” cuts of 2 percent, a budget enforcement mechanism established by the Budget Control Act of 2011. During the pandemic, Congress implemented a temporary reprieve from these cuts and extended this moratorium through the end of 2021. However, on January 1, 2022, emergency physicians will once again face an annual 2 percent cut through at least 2030.
2. **PAYGO Sequestration Cuts.** Due to statutory Pay-As-You-Go (PAYGO) budget control requirements triggered by the cost of the American Rescue Plan Act passed earlier this year, emergency physicians also face a potential *additional* 4 percent cut to Medicare payments beginning January 1, 2022. This cut will collide with the 2 percent mandatory sequester cuts scheduled to go into effect at the end of this year—bringing the total sequester cut to a whopping 6 percent.
3. **Physician Fee Schedule (PFS) & “Budget Neutrality”.** The Centers for Medicare and Medicaid Services (CMS) 2021 Physician Fee Schedule (PFS) finalized a cumulative 6 percent cut to emergency medicine reimbursement. This stemmed from CMS’ decision to significantly increase the values of office and outpatient evaluation and management codes (E/M) codes and create a new add-on code for complexity. Existing “budget neutrality” requirements under the PFS forces CMS to make a broad negative adjustment to physician payments to counterbalance any increases, typically by adjusting the “conversion factor.” In this case, the significant increases in the office and outpatient E/M codes and the new add-on code caused CMS to institute major cuts to every Medicare physician.

Fortunately, Congress provided critical relief through the Consolidated Appropriations Act of 2021 (P.L. 116-260), offsetting most of the cuts by providing 3.75 percent back to the PFS and delaying the implementation of the add-on code until at least 2024. However, this relief is only temporary as Congress will need to act prior to 2022 to prevent another reduction in Medicare payments. Without such relief, the conversion factor in 2022 will be cut by that same 3.75 percent.

Even beyond sequestration and PFS budget neutrality, Medicare payments have been stagnant for decades. They have failed to keep pace with inflation due to anti-inflationary policies and federal budget constraints. Therefore, these cuts will only widen the gap between the fair market value of physician services and Medicare payment rates, increasing the risk of emergency department closures or significant impacts on the quality of care that emergency departments are able to offer to their communities.



Sources: Federal Register, Medicare Trustees’ Reports and U.S. Bureau of Labor Statistics

ACEP urges lawmakers to protect patient access to lifesaving emergency care and to take action before the end of the year to prevent significant cuts to Medicare payments due to sequestration and Medicare’s “budget neutrality” requirements.