January 8, 2025

The Honorable Mike Johnson
Speaker
U.S. House of Representatives

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives

The Honorable John Thune
Majority Leader
U.S. Senate

The Honorable Chuck Schumer
Minority Leader
U.S. Senate

Re: Immediate Action Needed to Support Medical Groups in 2025

Dear Speaker Johnson, Majority Leader Thune, Minority Leader Jeffries, and Minority Leader Schumer:

On behalf of our member medical group practices, the Medical Group Management Association (MGMA) thanks you for your leadership in supporting medical group practices' ability to provide high-quality, cost-effective care. While we appreciate Congress acting near the end of last year to extend certain healthcare policies, such as the 1.0 work Geographic Practice Cost Index (GPCI) floor and telehealth flexibilities through March 31, 2025, many provisions that are important to medical groups were ultimately removed from the *American Relief Act, 2025* (*ARA*) despite having received broad bipartisan support.

Of utmost urgency is the 2.83% cut to the Medicare physician fee schedule that went into effect on Jan. 1, 2025. It demands immediate attention. Medical groups have already begun to feel the adverse effects of this significant decrease in reimbursement, heading into the new year facing uncertainty and financial shortfalls from not only Medicare but commercial contracts tied to Medicare rates, as well as Medicaid reimbursement in states that use Medicare as a benchmark. Lawmakers are playing a dangerous game that will ultimately damage patients' access to physicians who can no longer deal with the chaos caused by congressional inaction to fix a reimbursement formula that continues to destabilize the Medicare program. Congress cannot wait until the March 14 federal government funding deadline — swift action is required.

In addition to rectifying the cut to the Medicare conversion factor and providing an inflationary update for 2025, Congress needs to take swift action on other issues of vital importance to medical groups by: passing bipartisan-supported prior authorization reform, extending the Advanced Alternative Payment Model (APM) incentive payment for 2025, and further extending the 1.0 work GPCI floor and telehealth policies that now expire at the end of March.

With a membership of more than 60,000 medical practice administrators, executives, and leaders, MGMA represents more than 15,000 medical group practices ranging from small private medical practices to large national health systems, representing more than 350,000 physicians. MGMA's diverse membership uniquely situates us to offer the following legislative recommendations.

Medicare Physician Payment

The Centers for Medicare & Medicaid Services (CMS) finalized its 2025 Medicare Physician Fee Schedule (PFS) that cut the Medicare conversion factor by 2.83% as of Jan. 1, 2025. **MGMA asks that Congress immediately pass legislation addressing the full cut to Medicare conversion factor and provide a positive inflationary update to Medicare reimbursement for 2025.** Without retroactively addressing the cut and providing a modest update, medical groups will endure an untenable further reduction to physician reimbursement that will compound other financial pressures, such as staffing shortages and rising operational costs.

In MGMA's most recent regulatory burden survey, 87% of medical group practices said reimbursement not keeping up with inflation would impact current and future Medicare patient access.[1] Practices detailed having to consider limiting the number of new Medicare patients, reducing charity care, reducing the number of clinical staff, and closing satellite locations should Medicare payment continue on this trajectory. As one MGMA member put it, "[b]etween the reimbursement cuts and increasing regulatory costs, keeping the doors open becomes more challenging daily."[2]

According to MGMA data, physician practices saw total operating cost per FTE physician increase by over 63% from 2013–2022, while the Medicare conversion factor increased by only 1.7% over the same timeframe. Further, 92% of medical groups reported increased operating costs in 2024.[3] In the face of these serious financial tensions, another reduction to Medicare reimbursement is simply untenable — it is imperative to address the cut as quickly as possible.

While stopping the current cut and providing a positive update to account for inflation in 2025 is of foremost importance, permanent reform to the Medicare payment system is needed to sustainably support medical groups and avoid these yearly threats to their financial viability. **MGMA supports the *Strengthening Medicare for Patients and Providers Act* (H.R. 2474) introduced last Congress, which would provide an annual Medicare physician payment update tied to inflation, as measured by the MEI.** This commonsense legislation is needed to align with other payment systems and adequately account for the cost of operating a medical group.

Modernizing changes are needed to the antiquated budget neutrality policies in the Medicare PFS to avoid this continual dance of physician practices staring down yearly cuts to reimbursement. The *Provider Reimbursement Stability Act* (H.R. 6371 in the 118th Congress) would make updates such as increasing the triggering threshold from $20 million to $53 million (while adding an update to keep pace with inflation) and instituting new utilization review requirements to reflect better the reality of providers using certain services compared to CMS' estimates. MGMA urges Congress to institute changes to budget neutrality in unison with the long-needed annual inflationary update. These policies work in concert to undermine the financial viability of medical practices — a holistic approach would go a long way toward establishing an appropriate reimbursement system.

Prior Authorization Reform

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[1] MGMA, 2023 Regulatory Burden Report, https://www.mgma.com/federal-policy-resources/mgma-annual-regulatory-burden-report-2023.
[2] *Id.*
[3] MGMA Stat Poll, *Nearly all medical groups still feeling the squeeze of rising operating expenses*, June 26, 2024, https://www.mgma.com/mgma-stat/nearly-all-medical-groups-still-feeling-the-squeeze-of-rising-operating-expenses.

Onerous prior authorization requirements continuously rank as the number one regulatory burden facing medical groups.[4] The widely supported *Improving Seniors' Timely Access to Care Act* (S. 4532 in the 118th Congress) — which previously passed the House of Representatives and had support from a majority of both the House and Senate in 2024 — would make commonsense changes to prior authorization and allow practices to focus resources on clinical care instead of dealing with these administrative processes.

Over 500 stakeholder organizations support this vital legislation as it would implement changes to improve the transparency surrounding prior authorization utilization and expedite an often-laborious process. Despite this widespread support, the *ARA* left out this critical bill, which received a zero score from the Congressional Budget Office (CBO). **Congress must expeditiously pass the *Improving Seniors' Timely Access to Care Act* to alleviate this long-standing administrative burden to medical groups that diverts critical resources away from patient care.**

APM Incentive Payment and Qualifying APM Participant (QP) Thresholds

Congressional leadership included a provision in the original version of the *ARA* to extend the APM incentive payment at 3.53% near the end of last year, but this was removed along with many other provisions. The APM incentive payment is essential to medical groups attempting to transition to value-based care models, allowing them to make the necessary infrastructure investments to succeed in these arrangements. **To continue facilitating the transition to value-based care, Congress must enact legislation extending the APM incentive payment at a minimum of 3.53%.**

Similarly, the original version of the *ARA* included language maintaining the 2024 QP thresholds for the 2025 performance year. Allowing the 2025 QP thresholds to increase to an unreachably high level would undercut the ability of many medical groups to succeed in APMs and work against CMS' stated goal of having every Medicare beneficiary in an accountable care relationship by 2030. **Congress must freeze the 2025 QP thresholds at the 2024 level to avoid unintended consequences to physician practices attempting to participate in these arrangements.**

Extension of Telehealth Flexibilities and the 1.0 Work GPCI Floor

Maintaining access to telehealth services is essential to avoid unnecessary barriers to medical care, such as a patient having to travel significant distances. The expansion of telehealth following the COVID-19 Public Health Emergency (PHE) has been a demonstrable success and allowed medical groups to continue serving their communities through the appropriate utilization of telehealth services.

CMS finalized its extension of certain policies in the 2025 Medicare PFS, but many of the central policies that have allowed telehealth to flourish will expire soon without congressional action. It is essential to keep these flexibilities in place and permanently enshrine these policies as the value of telehealth to patients has been widely established. The *ARA* extended many of these flexibilities through the end of March. While we are thankful for this extension, an earlier iteration of the bill included a two-year extension of these policies that would provide much-needed stability for physician practices.

Congress needs to act to further extend the removal of geographic and originating site restrictions, the expanded list of providers, and more to ensure Medicare beneficiaries can access care no matter where they are located. Not doing so would significantly hinder medical groups' ability to offer telehealth services nationwide.

[4] *Supra* note 1.

Finally, Congress must extend the 1.0 work GPCI floor. The *ARA* extended the work GPCI floor of 1.0 through March 31, 2025. Extending this floor to avoid needless additional payment reductions and the associated negative repercussions for medical groups in primarily rural areas impacted by the floor is crucial. Congress must keep the 1.0 work GPCI floor in place through the end of 2025 at a minimum.

Conclusion

MGMA sincerely appreciates your enduring support of medical groups. We strongly urge you to stop the finalized 2025 Medicare reimbursement cut and pass the above-referenced legislation as soon as possible to reinforce group practices' ability to provide high-quality, cost-effective care. If you have any questions, please contact James Haynes, Associate Director of Government Affairs, at jhaynes@mgma.org or 202-293-3450.

Sincerely,

/s/

Anders M. Gilberg
Senior Vice President, Government Affairs