



American College of Osteopathic Internists • Stay True to Why You Pursued Medicine

April 14, 2023

The Honorable Jason Smith  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Richard Neal  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Vern Buchanan  
Chairman  
Subcommittee on Health  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Lloyd Doggett  
Ranking Member  
Subcommittee on Health  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Smith, Ranking Member Neal, Chairman Buchanan, and Ranking Member Doggett:

The American College of Osteopathic Internists (ACOI), representing the nation's osteopathic internists, medical subspecialists, fellows, residents, and students write to request your leadership in advancing legislation this year that provides physicians an annual inflation-based payment update based on the full Medicare Economic Index (MEI) beginning in 2024.

The Medicare physician payment system is on an unstable path that threatens beneficiary access to care. When adjusted for inflation in practice costs, Medicare physician pay has effectively declined 26 percent from 2001 to 2023, and without an inflation-based update, the gap between stagnant physician payment rates and rising inflation in medical practice costs will widen.

According to the Medicare Payment Advisory Commission (MedPAC), Clinicians' input costs—as measured by the MEI — grew by 2.6 percent in 2021 and are estimated to have grown 4.7 percent in 2022, substantially higher than the recent historical norm of 1 to 2 percent per year. Growth in clinicians' input costs is projected to remain high in 2023 (3.9 percent) and 2024 (2.9 percent). Despite the significant growth of clinicians' input costs, MedPAC has recommended that Congress update physician payments for 2024 at *half* of MEI, which would be 1.45 percent based on current projections.

MedPAC justifies its recommendation on the basis that clinicians' practice expenses account for about half of the MEI. While ACOI appreciates the recognition by MedPAC commissioners that physicians deserve a positive payment update and that it be permanent and built into subsequent years' payment rates, half of MEI fails to address years of Medicare physician underpayment that is a driver of physician practice consolidation and higher health care costs. An inflation-based payment update is warranted for all aspects of total physician payment, including physician work, which could be addressed by legislating an update that is tied to full, rather than half, of MEI.

As recognized by the Medicare's trustees in their June 2023 report, the physician payment system put in place by the *Medicare Access and CHIP Reauthorization Act* “avoided the significant short-range physician

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payment issues” resulting from the sustainable growth rate (SGR),<sup>1</sup> yet raises long-range concerns that will “almost certainly” need to be addressed by future legislation. Most significant among concerns of ACOI members is the continuation of the statutorily set update of zero through 2025, and, starting in 2026, updates of just 0.75 for qualified physicians in advanced alternative payment models, and 0.25 for all other physicians. These updates are inadequate, and, as noted by Medicare’s trustees, “do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases.” Inadequate payment updates have been felt most acutely by physician practices as they contend with a tight labor market that is driving up wages for non-physician practitioners who are increasingly being relied upon to fill gaps to meet patient care demands, as well as medical technologists, and administrative staff.

In environments of uncertainty, physicians seek shelter, including by becoming employees of hospitals or corporate entities. According to the data from Avalere gathered in a study sponsored by the Physicians Advocacy Institute, almost three quarters of U.S. physicians now work for hospitals, health systems, or corporate entities, up from 69 percent a year ago.<sup>2</sup> Avalere found that 108,700 physicians became employees of larger health organizations or other corporate entities over the three-year period between January 1, 2019 and January 1, 2022, and, of that total, 83,000, or 76 percent, made the switch after the COVID-19 pandemic began.<sup>3</sup>

With Medicare reimbursement that has not kept pace with inflation, payment cuts on the horizon and regulatory and administrative burdens, the trends in practice consolidation and acquisition are not shocking and come at a cost to the Medicare system and to patients.

A fundamental restructuring of the Medicare physician payment system is needed, but it will take time. Passing legislation this year providing physicians with an annual inflation-based update tied to the MEI is an opportunity for Congress to support long-term sustainability of physician practices and to ensure continued Medicare beneficiary access to care.

Thank you for your consideration. Requests for additional information or questions should be directed to Tim McNichol, ACOI Deputy Executive Director, at [tmcnichol@acoi.org](mailto:tmcnichol@acoi.org) or (301) 231-8877, or Camille Bonta, ACOI consultant, at [cbonta@summithealthconsulting.com](mailto:cbonta@summithealthconsulting.com) or (202) 320-3658.

Sincerely,



Joanne Kaiser-Smith, DO, FACOI  
President, American College of Osteopathic Internists

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<sup>1</sup> 2023 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds; March 31, 2023. <https://www.cms.gov/oact/tr/2023>

<sup>2</sup> COVID-19’s Impact On Acquisitions of Physician Practices and Physician Employment 2019-2021; Physicians Advocacy Institute, April 2022. [http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI%20Avalere%20Physician%20Employment%20Trends%20Study%202019-21%20Final.pdf?ver=ksWkgjKXB\\_yZfImFdXlvGg%3d%3d](http://www.physiciansadvocacyinstitute.org/Portals/0/assets/docs/PAI-Research/PAI%20Avalere%20Physician%20Employment%20Trends%20Study%202019-21%20Final.pdf?ver=ksWkgjKXB_yZfImFdXlvGg%3d%3d)

<sup>3</sup> Ibid.

