

# Physician Reimbursement – Will Medicare Cuts Continue?

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## 2024 Medicare Physician Reimbursement

On November 2, 2023, the Centers for Medicare and Medicaid Services (“CMS”) released the *2024 Physician Fee Schedule Final Rule (“Final Rule”)*, which finalized changes to payments under the Medicare Physician Fee Schedule (“PFS”) and Quality Payment Program (“QPP”).

Changes outlined in the 2024 PFS Final Rule include:<sup>1</sup>

- **Total Impact:** Overall payment amounts will be **reduced by 1.25 percent** in calendar year (“CY”) 2024 relative to CY 2023
- **Conversion Factor:** The CY 2024 conversion factor is 32.74, which is a **3.37 percent reduction** from CY 2023
- **Evaluation and Management (“E/M”) Visits:** Finalized implementation of a separate add-on code (G2211) under the common procedure coding system to recognize the costs associated with a provider serving as the focal point for ongoing care.
- **Telehealth:** Finalized that telehealth services furnished to people in their homes will be paid at the non-facility rate
- **Merit-Based Incentive Payment (“MIPS”):** Set the MIPS performance threshold at 75 points, backing away from the initial proposal to make the program more challenging in 2024 by raising the threshold to 82 points.
- **Medicare Shared Savings Program (“MSSP”):** Finalized changes to the MSSP, which are expected to result in MSSP participation increasing by 10.0 to 20.0 percent.
- **Caregiver Support:** Established separate coding and payment for training caregivers.
- **Health Equity:** Finalized coding and payment for community health integration services, principal illness navigation services, and social determinants of health risk assessments.
- **Appropriate Use Criteria (“AUC”) Program:** Paused the AUC program, which required a practitioner who orders an advanced diagnostic imaging service for a Medicare beneficiary to consult a qualified clinical decision support mechanism to assist in making treatment decisions.

<sup>1</sup> *Calendar Year 2024 Medicare Physician Fee Schedule Final Rule Fact Sheet; Calendar Year 2024 Medicare Physician Fee Schedule Final Rule - Medicare Shared Savings Program Fact Sheet*

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While the impact of the 2024 Final Rule varies by specialty, the reduction in the conversion factor is a continuation of the reimbursement trend experienced by the industry in recent years. Cumulatively, the PFS conversion factor has decreased 9.3 percent since 2020.

## 2024 PFS Impact (Select Specialties)

	Allowed Charges (millions)	Reimbursement Impact
Family Practice	\$5,538	3%
Internal Medicine	\$9,683	1%
Cardiology	\$6,015	0%
Ophthalmology	\$4,647	(1%)
Orthopedic Surgery	\$3,369	(1%)
Physical Therapy	\$5,281	(3%)
Radiology	\$4,536	(3%)

Source: CY 2024 Medicare Physician Fee Schedule Final Rule

## Medicare PFS Conversion Factor by Year

	Conversion Factor	Growth
CY 2019	\$36.0391	
CY 2020	\$36.0896	0.1%
CY 2021	\$34.8931	(3.3%)
CY 2022	\$34.6062	(0.8%)
CY 2023	\$33.8872	(2.1%)
CY 2024	\$32.7442	(3.4%)
Cumulative Decline (2020 - 2024)		(9.3%)

Source: CMS

## Healthcare Community Reaction

The 2024 Final Rule has taken effect and is the basis for physician reimbursement starting January 1, 2024. However, the decline in reimbursement has been met with opposition in the healthcare community. Shortly after the Final Rule was announced, several organizations publicly shared their view on the proposed reduction and its potential impact on physician services.

One widely cited data point is the Medicare Economic Index (“MEI”), which is projected to be 4.6 percent in 2024. The MEI is a measure of practice cost inflation, and critics of the 2024 Final Rule outcome point to the disparity between the reimbursement reduction relative to the expected cost inflation.

Critics have also raised the issue of the difference in reimbursement changes for physicians relative to other healthcare services. CMS issued the *CY 2024 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule* last November, which included a 3.1 percent increase in 2024 for hospital outpatient services and ambulatory surgery centers.<sup>2</sup>

Subsequent to the issuance of the Final Rule, in January 2024, CMS issued an updated guidance on interoperability and prior authorization rules. The revised guidance is expected to streamline the prior authorization process for Medicare and Medicaid recipients and is projected to save \$16 billion to providers over a 10-year period<sup>3</sup>. CMS also created new electronic prior authorization measures for MIPS and the Medicare Promoting Interoperability Program. CMS anticipates that these improvements will at least partially offset the impact of reimbursement decreases and improve overall patient experience.

<sup>2</sup> *CY 2024 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Payment System Final Rule Fact Sheet*

<sup>3</sup> *CMS Interoperability and Prior Authorization Final Rule (CMS-0057-F)*

## Is the Final Rule Final?

As a result of the public's reaction to the Final Rule, a number of legislative acts have been introduced in Congress, which would reduce or reverse the reimbursement cuts, including:

- [Better Mental Health Care, Lower-Drug Costs, and Extenders Act of 2023](#)<sup>4</sup>: Introduced in the Senate on November 8, 2023, would result in a **1.25 percent increase** to the PFS conversion factor (partially mitigating the reduction from 2023).
- [Physician Fee Schedule Update and Improvements Act](#)<sup>5</sup>: Introduced in the House of Representatives on December 1, 2023, would result in a **1.75 percent increase** to the current 2024 PFS conversion factor (partially mitigating the reduction from 2023).
- [Preserving Seniors' Access to Physicians Act of 2023](#)<sup>6</sup>: Introduced in the House of Representatives on December 8, 2023, would result in a **3.37 percent increase** to the PFS conversion factor (eliminating the reduction from 2023).

## Conclusion

While the 2024 Final Rule has been implemented, it is possible that the introduced legislation could mitigate or reverse the Medicare reimbursement declines physicians are expected to face this year. Physicians and other healthcare professionals will need to monitor the situation to stay up-to-date on the most current reimbursement environment.

<sup>4</sup> S.3430 - *Better Mental Health Care, Lower-Cost Drugs, and Extenders Act of 2023*

<sup>5</sup> H.R.6545 - *Physician Fee Schedule Update and Improvements Act*

<sup>6</sup> H.R.6683 - *Preserving Seniors' Access to Physicians Act of 2023*

## About Ankura Valuation Services

Investors, regulators, and auditors demand transparency and enhanced governance on the valuation of assets, investments, and transactions. At the same time, governments around the world are increasing the regulatory standards around what is considered valid and admissible. Obtaining accurate and reliable valuations requires a trusted advisor that can deliver an independent, objective, and unbiased view.

Clients depend upon Ankura to provide insightful and thorough valuations that support strategic and informed decision-making. We offer a full range of valuation services from valuing complex and intangible assets in a proposed transaction to delivering expert testimony and fairness opinions.

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In the current, fast-changing healthcare and life sciences environment, participants are presented with an unprecedented number of growth opportunities. However, given the highly regulated nature of these industries, participants must also mitigate enterprise and reputational risk.

Ankura has a specialized valuation and transaction advisory team attuned to the unique considerations of the healthcare and life sciences industries. Our professionals provide a full range of valuation and transaction advisory services to help our clients pursue growth while navigating a dynamic regulatory and business environment. Clients leverage our insightful and thorough analyses to enable informed business decisions concerning M&A, regulatory compliance, tax compliance, divestitures, joint ventures, financial reporting, litigation support, compensation, and other critical motivations.



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