

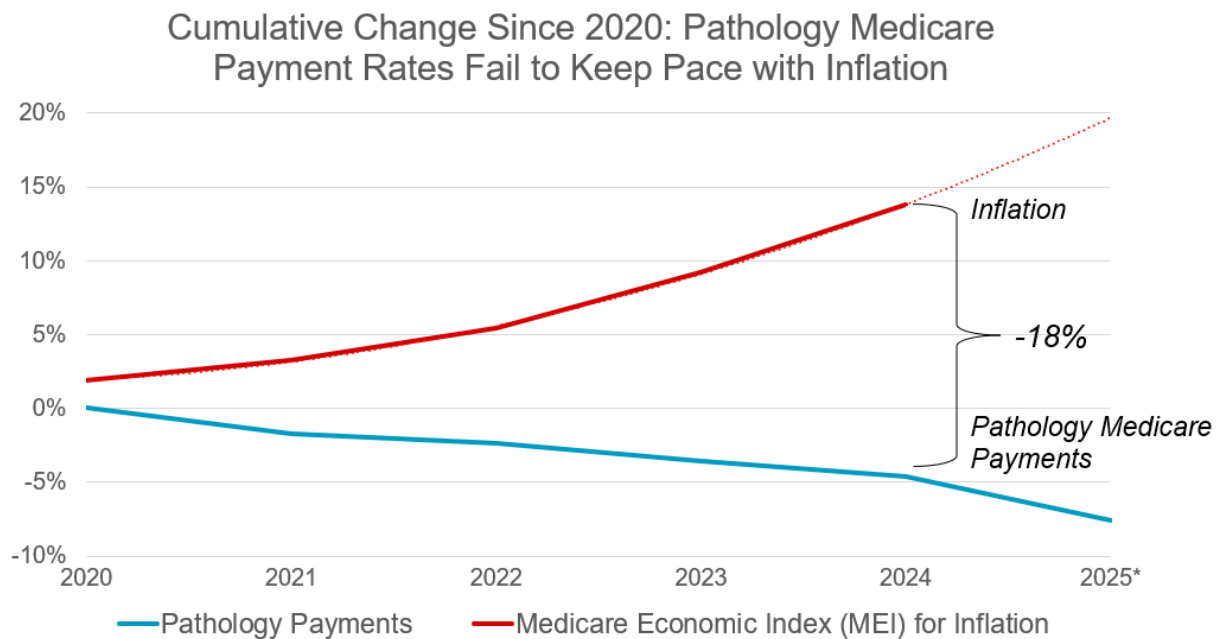


## Issue: Medicare Payment Reform

**CAP Position:** The College of American Pathologists (CAP) calls on Congress to pass legislation to begin the process of stabilizing the Medicare payment system. More specifically, the CAP urges Congress to: (1) provide an inflationary update to the Medicare Physician Fee Schedule by passing H.R. 2474, the Strengthening Medicare for Patients and Providers Act, (2) modify the Medicare physician fee schedule's budget neutrality requirement by passing H.R. 6371, the Provider Stability Reimbursement Act of 2023, and, until reform policies are enacted, (3) mitigate the impact of the 3% cut to pathology services in 2025.

### Inflationary Update

Over the last 5 years payments to pathologists have decreased by approximately 4.6 percent, while physician practice costs (medical supplies, lab personnel costs, professional liability insurance) have increased by nearly 13.8 percent. In 2024 alone, pathologists are anticipated to experience a 5.7 percent reduction in income as revenues are expected to fall by close to 1.1 percent while expenses are expected to increase by over 4.6 percent. The lack of an annual inflationary update for pathologists, especially those that operate small businesses, compounds the wide range of shifting economic factors impacting the practice of pathology, such as increasing administrative burdens, staff salaries, office rent, and purchasing of essential technology when determining their ability to provide care to Medicare patients. The absence of an annual inflationary update, combined with the physician fee schedule's statutory budget neutrality requirements and ongoing Medicare payment cuts, further compounds the difficulties pathologists face in managing resources to continue caring for patients in their communities.



\*Due to the expiry of congressional relief, the CAP is already forecasting a further 3% cut to pathology payments in 2025.



	2020	2021	2022	2023	2024	5-Year Total	Yearly Average
Pathology Medicare Payments	0.03%	-1.75%	-0.65%	-1.16%	-1.11%	-4.64%	-0.93%
Medicare Economic Index (MEI) for Inflation	1.9%	1.4%	2.1%	3.8%	4.6%	13.80%	2.76%
Difference	-1.87%	-3.15%	-2.75%	-4.96%	-5.7%	-18.44%	-3.69%

*Since 2020, reimbursement rates for pathology services have gone down by approximately 4.6%, while physician practice costs (medical supplies, lab personnel, professional liability insurance) have increased by nearly 13.8% over the same timeframe. In 2024 alone, pathologists are anticipated to experience a 5.7% reduction as revenues are expected to fall by 1.1% while costs rise by 4.6%. Currently, it is too early to predict an MEI for 2025. Therefore, it is not included in above chart.*

**Budget Neutrality**

Budget neutrality is a major barrier to achieving high-quality, high-value health care, as these requirements lead to arbitrary reductions in reimbursement unrelated to the cost of providing care, forcing physicians and other health care providers into adversarial roles, leading to an unpredictable reimbursement system from year to year. The CAP acknowledges that budget neutrality is a politically appealing option to control rising health care costs. However, the CAP urges Congress to think more creatively and expansively about ways to manage health care costs which do not generate such significant instability for health care providers, threatening beneficiary access to essential health care services. H.R. 6371 would address these issues by (1) increasing the budget neutrality threshold, (2) providing a lookback period to reconcile overestimates and underestimates of pricing adjustments for individual services, (3) requiring timely updates to direct costs used to calculate Practice Expense RVUs, and (4) requiring the Secretary to limit positive or negative increases in the conversion factor to no greater than 2.5% each year.

**Background:** Pathologists are physicians who specialize in the diagnosis of disease. The expertise they provide drives treatment decisions that optimize outcomes for patients. They play an integral role in the diagnosis of diseases such as cancer (breast, prostate, cervical, leukemia, kidney), hepatitis, and cirrhosis. In general, pathologists in hospitals and independent laboratories around the country are responsible for developing and/or selecting new test methodologies, validating, and approving testing for patient use, and expanding the testing capabilities of the communities they serve to meet emergent needs.

While Congress has taken action to address some of these fiscal challenges by mitigating a portion of the Medicare Physician Fee Schedule (MPFS) cuts over the years, Congress has failed to pass legislation to stabilize the Medicare payment system. For example, physicians are the only Medicare providers whose payments do not automatically receive an annual inflationary update. The Medicare Trustees recognized this problem by noting in their 2023 report that the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015 established “physician payment updates for all years in the future” but those “updates do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases...absent a change in the delivery system or level of update by subsequent legislation, the Trustees expect access to Medicare-participating physicians to become a significant issue in the long term.”



Because of the adversarial relationship caused by the physician fee schedule's budget neutrality requirements, leading to regular and unsustainable reimbursement cuts, and the lack of an inflationary update, the cost of doing business is becoming unsustainable as margins are squeezed and expenses increasingly exceed costs. Laboratory workforce shortages are on the rise because of increased costs and unstable/declining reimbursements. The result can manifest as increased wait times in the emergency department, longer time before receiving a diagnosis of cancer, potential for increased errors in testing and delays in specimen collection and turnaround time for laboratory results.

Now more than ever patients and their treating physicians are relying on the expertise of pathologists. Pathologists and the services they provide, including ensuring laboratory quality in communities across the United States, are at the foundation of our health care system. In short, the financial instability of the Medicare payment system, including the lack of an inflationary update, ongoing Medicare cuts, and budget neutrality requirements, are all eroding our nation's laboratory infrastructure. **To begin to close this gap, the CAP urges members of Congress to cosponsor and pass: H.R. 2474, the Strengthening Medicare for Patients and Providers Act, which applies an inflationary update to the physician fee schedule, H.R. 6371, the Provider Stability Reimbursement Act of 2023 to modify the physician fee schedule's budget neutrality requirements, and mitigate the Medicare cuts for 2025 and beyond until policies stabilizing the Medicare payment system are enacted.**