

## Medicare's investment in surgical care must keep up with inflation.

Investment in patient care is constrained by the Medicare Physician Fee Schedule's (MPFS) budget-neutral payment system. Increases in one area must be offset by decreases elsewhere.

Unlike hospitals and nursing homes, investments in physicians lack an automatic update and Medicare payments have failed to keep pace with inflation, resulting in a real-world decrease year after year.

## How Medicare Pays Physicians

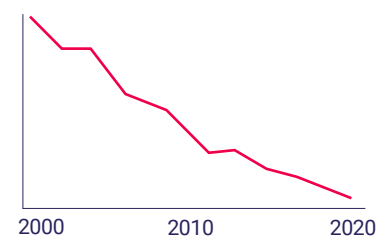
CMS uses relative value units (RVUs) to set physician payments. RVUs account for the time and effort needed to perform the work (work RVUs), the costs of running a practice (Practice Expense RVUs) and malpractice insurance premiums (Malpractice RVUs).

These values are adjusted to reflect geographic cost differences using a corresponding geographic practice cost index (GPCI).

Medicare currently pays surgeons a single fee (global payment) when they perform a major or minor surgical procedure such as back surgery, brain tumor removal, heart surgery, cataract surgery or colon resection. This single fee covers the physician costs of performing the surgery plus related care provided before the surgery and follow-up care – including E/M services – within a 10- or 90-day timeframe.

The RVUs assigned to a given service are multiplied by a dollar amount – known as the Medicare conversion factor (CF).

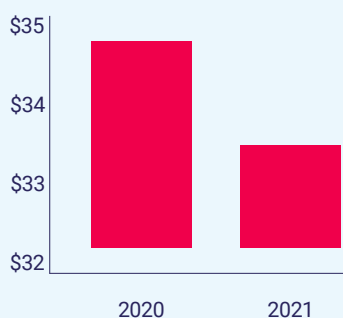
Investment in patient care provided by physicians has **decreased by over 25% in the last 20 years.**



## RVUs x CF = Physician Payment

$$\left( \begin{matrix} \text{Work RVU} \times \\ \text{Work GPCI} \end{matrix} + \begin{matrix} \text{PE RVU} \times \\ \text{PE GPCI} \end{matrix} + \begin{matrix} \text{MP RVU} \times \\ \text{MP GPCI} \end{matrix} \right) \times \text{CF}$$

## Payment



A decrease of 3.75%  
**\$34.89 to \$33.58**

The proposed CY 2022 MPFS conversion factor (CF) is \$33.58, a decrease of 3.75% from the CY 2021 MPFS conversion factor of \$34.89.

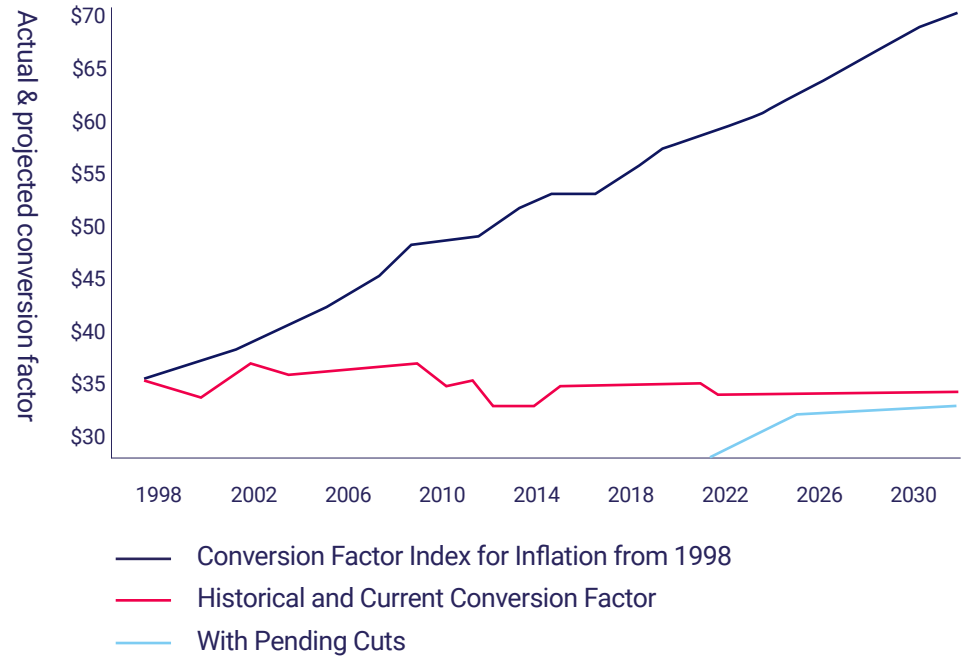
## The conversion factor has not kept up with inflation

Medicare physician payments have not kept pace with the cost of running a practice.

The proposed CY 2022 conversion factor is significantly lower than the rate of \$36.6873 paid in 1998 and trending towards the \$31.00 CF in place in 1992 when the MPFS was first implemented.

The conversion factor is roughly **50%** of what it would have been had it kept up with inflation **since 1998**.

## Estimated Policy Impacts on MPFS Payments



## The forgotten physician

Unlike investments in hospitals and nursing homes, which have increased over the last two decades by nearly 10%, investment in physicians has decreased by over 25%.

