



**Association of
American Medical Colleges**
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July 8, 2024

The Honorable Sheldon Whitehouse
530 Hart Senate Office Building
Washington, DC 20510

The Honorable Bill Cassidy, MD
455 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Whitehouse and Cassidy:

The Association of American Medical Colleges (AAMC) appreciates the opportunity to respond to your request for information (RFI) on the proposed Pay PCPs Act (S. 4338). We commend your dedication to maintaining the strength and solvency of the Medicare program for both patients and physicians, and we appreciate your bipartisan and thoughtful approach to this matter.

The AAMC is a nonprofit association dedicated to improving the health of people everywhere through medical education, health care, medical research, and community collaborations. Its members are all 158 U.S. medical schools accredited by the [Liaison Committee on Medical Education](#); 13 accredited Canadian medical schools; approximately 400 academic health systems and teaching hospitals, including Department of Veterans Affairs medical centers; and more than 70 academic societies. Through these institutions and organizations, the AAMC leads and serves America's medical schools, academic health systems and teaching hospitals, and the millions of individuals across academic medicine, including more than 193,000 full-time faculty members, 96,000 medical students, 153,000 resident physicians, and 60,000 graduate students and postdoctoral researchers in the biomedical sciences. Following a 2022 merger, the Alliance of Academic Health Centers and the Alliance of Academic Health Centers International broadened participation in the AAMC by U.S. and international academic health centers.

AAMC Faculty Practice Plans

Teaching physicians working at teaching health systems and hospitals deliver services within some of the nation's largest physician group practices in order to fulfill their missions to provide the highest quality patient care, and train the next generation of physicians. These are often referred to as "faculty practice plans" since many of these physicians are involved in teaching and supervising medical residents and students as part of their daily responsibilities. These groups are typically organized into large multi-specialty practices, delivering care to the most complex and vulnerable patient populations who often need highly specialized treatment. This care is frequently multidisciplinary and team-based. These practices usually operate under a single tax identification number (TIN) that encompasses numerous specialties and subspecialties. According to recent data, faculty practice plans vary in size from as few as 115 individual national provider identifiers (NPIs) to as many as 3,694 NPIs, with an average of 1,258 and a

median of 1,088, indicating their generally large size. These practices also play a crucial role in the educational development of residents and medical students who will become the physicians of the future.

Teaching physicians are vital resources to their local and regional communities, providing significant primary care and other critical services, including a large percentage of tertiary, quaternary, and specialty referral care in the community. Their patient base may span regions, states, and even the nation. They also treat a disproportionate share of patients for whom issues associated with social determinants of health, such as housing, nutrition, and transportation, contribute significantly to additional health challenges, adding greater complexity to their care.

Structural Challenges within the Medicare Physician Payment System

As currently structured, the Medicare physician payment system is on a path that jeopardizes Medicare patients' access to physicians. The Medicare Access and CHIP Reauthorization of 2015 (MACRA) established a six-year freeze on updates to physician payments from 2019 through 2025; in other words, during this period there would be no updates to Medicare payments to physicians. Beginning in 2026, the law specifies that clinicians participating in advanced APMs who also meet certain thresholds would receive an update of 0.75 percent, and those who are not in APMs would receive a 0.25 percent update. These updates are well below the rate of inflation. According to an American Medical Association (AMA) analysis of Medicare Trustees' data, when adjusted for inflation Medicare physician payment has been reduced by 26 percent from 2001–2023.¹ In addition to reductions in reimbursement, in recent years physicians have faced numerous challenges, including the COVID-19 pandemic and its aftermath, rising inflation, and workforce shortages.

We remain deeply concerned about the impact of these significant cuts and the minimal updates on patient access to services and patient health in future years. In the 2024 Medicare Trustees report, the Trustees expressed concern with the failure of Medicare payments to keep up with the cost of running a practice and warned that beneficiary access to Medicare-participating physicians is expected to become a significant issue in the long term.² According to the Medicare Payment Advisory Commission (MedPAC).³ It warrants mention that more people are looking for specialists across the nation, but undoubtedly, we need to increase the physician workforce in both primary care and specialty care. The AAMC projects that by 2036, the country could experience a shortage of up to 86,000.⁴ These shortages will be exacerbated if physicians continue to face payment cuts, especially when coupled with continuing financial challenges facing teaching health systems and hospitals and faculty practices.

¹ American Medical Association, Economic and Health Policy Research, 2023 <https://www.ama-assn.org/system/files/ama-medicare-gaps-chart-grassroots-insert.pdf>

² 2024 Medicare Trustees Report: <https://www.cms.gov/oact/tr/2024>

³ MedPAC, Report to Congress, Medicare Payment Policy, Chapter 4 (Mar. 2023).

⁴ AAMC, The Complexities of Physician Supply and Demand: Projections From 2021-2036 (Mar. 2024) available at <https://www.aamc.org/media/75231/download?attachment>

The AAMC appreciates and agrees with your recognition that Congress must address the ongoing structural problems with the Medicare Physician Fee Schedule (PFS). We offer the following insights in response to the proposed Pay PCPs Act and accompanying RFI:

Hybrid payments for primary care providers

The AAMC supports innovative payment models to better support primary care providers (PCPs) and the critical services they deliver to patients. Testing hybrid payments in primary care offers an opportunity for the financial sustainability of primary care practices, creates an environment to address provider burnout and workforce shortages, and facilitates the adoption of team-based primary care and innovative ways to address health equity. These payments would allow practices to determine how best to provide care outside of in-person visits, especially with the rapidly evolving digital health space, and could help spur innovation and leverage team-based approaches to care. Careful design consideration is imperative to ensure patients have access to high-quality, high-value care coordination services, and that providers receiving hybrid payment do not avoid high-need or high-risk patients. Additionally, the design of the hybrid payments must reduce challenges associated with managing both volume-based and value-based care payments and models and ensure participating providers do not have increased reporting requirements that detract from patient care.

Taking into account the potential benefits and risks of a hybrid payment model, we encourage you to consider their design within total cost-of-care alternative payment models (APMs), like accountable care organization (ACO) models rather than as a standalone model. This would have two primary benefits: reduce design complexity and provide additional incentives to participate in such models as existing bonus payment incentives wind down. Several of your questions note the design challenges with an additive hybrid payment model – attribution, appropriate service utilization, beneficiary access to care, and quality measurement. Those facets are already designed within total cost-of-care APMs and would allow hybrid payments to complement high-value care and reduce the burden for primary care. Additionally, the Centers for Medicare & Medicaid Services (CMS) has already begun to model this concept with the new ACO Primary Care Flex Model. The model test allows PCPs participating in ACOs in the Medicare Shared Savings Program (MSSP) and in ACO PC Flex to receive predictable primary care revenue that replaces fee-for-service reimbursement for primary care services. This suggests there is already a platform from which to improve the hybrid payment concept.

One critical aspect of incorporating hybrid payments into total cost of care APMs is the need for Congress to repeal CMS's revenue distinctions for payment policy exclusions. Currently, the Primary Care Flex Model is available only to ACOs deemed to be "low revenue," thus excluding more than half of all ACOs in the MSSP, unnecessarily slowing participation in Advanced APMs. Removing this revenue distinction is critical to successfully innovating primary care payment within the MSSP.

Technical advisory committee to help CMS more accurately determine Fee Schedule rates

The AAMC recommends that Congress urge CMS to restore a Refinement Panel to serve as the relative value appeals process. For many years, CMS had convened the Refinement Panel to hear

feedback from practicing physicians and to independently recommend refinements to relative values. Having an objective, transparent, and consistently applied formal appeals process in place is important. The Refinement Panel process provides an additional mechanism (coupled with the input from the AMA/Specialty Society RVU Update Committee (RUC)) to use the expertise of physicians and other health care professionals to determine the resources utilized in providing services.

Avoid Counterproductive Cuts to Teaching Health Systems and Hospitals

It is undeniable that 2023 was a difficult year for our nation's teaching health systems and hospitals, which faced profound financial challenges stemming from historic workforce shortages, unprecedented growth in costs, and significant uncertainty as states resumed Medicaid redeterminations. According to MedPAC, hospitals' overall FFS Medicare margins dropped to a record low -11.6% in 2022, and this trend is expected to persist in coming years.⁵ So-called "site-neutral" payment policies have recently been proposed as a savings mechanism or offset for legislation. The policies target the nation's teaching health systems and hospitals and are inherently counterproductive in that they would only further exacerbate these challenges by cutting Medicare reimbursement for care delivered in teaching hospital outpatient departments (HOPDs). The AAMC strenuously opposes these policies, which disregard the real differences between teaching health systems and hospitals' HOPDs and other sites of care, including physician offices and ambulatory surgical centers. As we have emphasized to policymakers, teaching health systems and hospitals' HOPDs care for a more clinically and socially complex patient population than physician offices, while complying with greater licensing, accreditation, and regulatory requirements. Furthermore, HOPDs do not choose which patients come through their doors – even if a patient could be treated at a lower-cost facility, HOPDs continue to treat the patients who come to them. Because of these factors, the cost of providing care in an HOPD is fundamentally different from other settings. Enacting this HOPD policy ignores these important distinctions and would result in cuts to Medicare reimbursement for drug administration services in off-campus HOPDs.

Proposed HOPD cuts, and in particular, those passed by the House of Representatives in the Lower Costs, More Transparency Act (H.R. 5378), target and would disproportionately impact AAMC-member teaching health systems and hospitals, many of which are safety-net providers that care for the nation's sickest and under-resourced patients, including in the outpatient setting. Although our members comprise just five percent of all U.S. hospitals, they would shoulder nearly half of the cuts included under the House-passed policy. Given teaching health systems and hospitals' critical role in caring for Medicare's most vulnerable and complex beneficiaries, these proposed cuts would necessarily limit these patients' access to life-saving care and cutting-edge treatments. The negative impacts of these cuts would be felt most acutely by patients in rural and other medically underserved communities.

Now more than ever, Congress cannot abandon our nation's teaching health systems and hospitals. Although significant investments are needed to provide relief to physicians under the PFS, the AAMC opposes financing these provisions through cuts elsewhere in the Medicare

⁵ <https://www.medpac.gov/wp-content/uploads/2023/03/Hospital-Dec-2023-SEC.pdf>

program. Teaching health systems and hospitals cannot absorb additional cuts, as it is counterproductive to sustaining their missions of patient care, education, research, and community collaborations. We implore you to avoid the seriously detrimental effect on teaching health systems and hospitals and avert endangering access to care for the patients and communities they serve.

Thank you for the opportunity to share the AAMC's thoughts on your proposal to stabilize the Medicare physician payment system. We look forward to continuing to work with you on this and other clinical and patient care issues. If you have any further questions, please contact my colleague Ally Perleoni, Director of Government Relations (aperleoni@aamc.org).

Sincerely,

A handwritten signature in black ink that reads "Danielle P. Turnipseed". The signature is fluid and cursive, with the first name "Danielle" and last name "Turnipseed" clearly legible.

Danielle Turnipseed, JD, MHSA, MPP
Chief Public Policy Officer
Association of American Medical Colleges

CC:

David Skorton, MD
President and CEO
Association of American Medical Colleges