July 3, 2024

The Honorable Charles Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Mike Johnson
Speaker
United States House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, DC 20515

Reform the Medicare Physician Fee Schedule and Save Independent Physician Practices By Establishing a New Site-of-Service for Office-Based Interventional Care

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Johnson, and Minority Leader Jeffries:

High on the list of issues when Congress takes up a healthcare package later this year will be stopping yet another round of Medicare Physician Fee Schedule (PFS) cuts to physicians scheduled for January 1, 2025. As part of this effort, it is critical that policymakers understand, for many independent physician practices, providing services under the PFS simply is no longer a viable option. **Indeed, for at least 195 office-based interventions in the Medicare PFS, according to Medicare's own data, Medicare reimbursement no longer covers the costs of providing such services.**[1] In order to address this problem and help advance fundamental PFS reform, Congress should establish a new site-of-service for office-based interventions utilizing high-cost supplies.

Office-based interventional centers incorporate technological advances like cutting-edge medical supplies (e.g. drug-coated balloons for endovascular procedures) and equipment (e.g. linear accelerators for cancer care), which make them more akin to ambulatory surgical centers or hospital facilities in terms of resource requirements. Such independent physician practices are the lowest cost site-of-service and are critical for underserved and rural access to specialty care. Moreover, in many certificate-of-need states, they are the only ambulatory service option outside of the hospital. Yet, since 2006, reimbursement for office-based interventional care have been cut dramatically under the PFS.[2]

Over the years, as scientific advances have allowed high-tech, high-cost supplies and equipment to move from the hospital to the community-based setting, the *reimbursement* for such supplies and equipment has not followed to the PFS. **This dynamic has degraded the ability of the PFS to reimburse both for office-based interventional services as well as cognitive services,**

[1] Data is based on 2024 Physician Fee Schedule Final Rule Total Non-Facility Reimbursement and Total Direct Costs. https://oeisweb.com/wp-content/uploads/2024/03/MedicareReimbursementvsDirectCosts.pdf
[2] Outpatient Endovascular and Interventional Society. Cumulative impact of changes in RVUs since 2006. https://oeisweb.com/wp-content/uploads/2024/01/CumulativeChangesinPFSRVUs.pdf

such as primary care. As a result of "budget neutrality," actions by CMS in recent years to correct for reimbursement shortfalls in some areas of the PFS have eroded reimbursement for other PFS services. When temporary Congressional relief expires in 2025, PFS budget-neutrality impacts to the conversion factor will have cut the conversion factor by more than 10%.[3] Policies in the 2022 PFS to make necessary updates to outmoded practice expense data also have had significant budget-neutral impacts on certain office-based interventional services.[4]

Because most Medicare reimbursement for *hospital-based* services is derived from entirely distinct hospital inpatient and outpatient payment systems,[5] hospital payment system reimbursement has grown faster than practice costs even as many PFS services literally are no longer reimbursed even for their costs.[6] This dynamic has been a key catalyst for consolidation: according to a 2021 AMA study, physician-owned practices have decreased 11% since 2012 as hospital ownership of these practices has increased 11%.[7] Equally concerning, a 2023 multi-specialty survey of mostly non-hospital physicians showed 21% of respondents were likely to sell their practice if cuts continue.[8]

Establishing a new site-of-service for office-based interventional care would stop further closures of certain independent physician practices by removing high-cost supply services from the PFS, which effectively no longer covers such procedures. Importantly, such a policy also would (1) protect the PFS from further dilution from unsubsidized migration of high-cost supplies from the hospital and (2) provide additional resources for primary care as well as the overall PFS. Moreover, there is clear precedent for such action: in the 2010 PFS, the Centers for Medicare & Medicaid Services (CMS) finalized its proposal "to remove physician-administered drugs from the definition of physicians' services" due to the "significant and disproportionate impact that the inclusion of drugs has had on the SGR system."[9]

As part of PFS reform later this year, we urge Congress to establish a new site-of-service for office-based interventional care using high-cost supplies to help strengthen the PFS and protect independent physician practices.

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[3] From $36.0896 in 2020 to an estimated $32.3400 in 2025.

[4] 87 FR 65621. "The estimated impacts for several specialties, including interventional radiology, vascular surgery, radiation oncology, and cardiology, reflect decreases in payments relative to payment to other physician specialties which are largely the result of the redistributive effects of the clinical labor pricing update."

[5] The Hospital Inpatient Prospective Payment System and the Hospital Outpatient Prospective Payment System

[6] American Medical Association, *Medicare physician payment is NOT keeping up with inflation*, April 2023 https://www.ama-assn.org/about/leadership/medicare-physician-payment-reform-long-overdue

[7] American Medical Association, *Recent Changes in Physician Practice Arrangements: Private Practice Dropped to Less Than 50 Percent of Physicians in 2020*, Carol K. Kane, PhD, June 2021

[8] 2023 multi-societal survey with respondents from OEIS, AVLS, SIR, SCAI, and AVF; a total of 696 individuals responded to the survey with 68% primarily conducting their work in an office or ASC https://oeisweb.com/new-survey-data-illustrates-bleak-outlook/

[9] CY 2010 PFS Proposed and Final Rules. 74 FR 33650 and 74 FR 61965

Sincerely,

American College of Radiation Oncology

American Vein & Lymphatic Society

American Society of Diagnostic and Interventional Nephrology

American Society of Nephrology

Outpatient Endovascular and Interventional Society

Renal Physicians Association

Society for Cardiovascular Angiography and Interventions

Society of Interventional Radiology