

Medicare Payment Reform



Payment Reforms to the Medicare Fee Schedule

The American Physical Therapy Association urges Congress to enact meaningful reforms to the Medicare Physician Fee Schedule, or MPFS, to improve payment and provide stability for practices. Congress must take action to reform this unsustainable system to ensure that Medicare payments to providers accurately reflect the cost of practice and ensure timely access to care for Medicare beneficiaries.

The following are five policy solutions that will reform the fee schedule to help provide stability to therapy providers and the patients they serve.

Provide an Annual Payment Update Based on Inflation

Step one is for Congress to ensure that Medicare payments to providers in 2025 and beyond are adjusted annually with an inflationary update. The MPFS is the only Medicare payment system lacking an annual inflationary update. Physical therapy practices, many of which are small businesses, face rising costs for office rent, clinical and administrative staff wages, and administrative burden. APTA strongly supports the enactment of an annual payment update under the fee schedule tied to the Medicare Economic Index. This reform would provide an annual payment update, helping to stabilize practices and enable long-term planning, investment in practices, and the delivery of high-quality, patient-centered care.

Increase the Budget Neutrality Trigger

Cuts to the MPFS are triggered by a policy known as budget neutrality, which mandates that any estimated increases of \$20 million or more to the Medicare fee schedule —resulting from upward payment adjustments or the addition of new procedures or services — must be automatically offset by cuts elsewhere. This rigid \$20 million threshold has not been updated since 1992, despite a growing beneficiary population and the increasing number of medical procedures formerly performed in the inpatient setting that are now performed in the outpatient setting and billed to the fee schedule. Increasing the threshold would reduce the triggering of automatic, across-the-board fee schedule cuts, permitting needed spending flexibility to address beneficiary needs without imposing cuts on all providers.

Require Regular Updating of Practice Expenses

Congress should direct the Centers for Medicare & Medicaid Services, or CMS, to update the direct inputs for practice expense relative value units at least every five years. Direct inputs include clinical wages, costs of supplies, and prices of equipment, which increase with inflation. In the past, direct inputs were reviewed by CMS only after many years, resulting in significant redistribution of payments and cuts to some providers.

Repeal the Multiple Procedure Payment Reduction Policy

In 2013, Congress implemented the Multiple Procedure Payment Reduction, or MPPR, for physical, occupational, and speech-language therapy services under Medicare Part B. This decision was made without solid evidence, primarily to offset costs related to the sustainable growth rate, or SGR, which has since been repealed through the Medicare Access and CHIP Reauthorization Act of 2015 (H.R. 2). As a result, average therapy claim payments dropped by 8.5% in 2013 compared to 2010, despite the lack of justification for these cuts. MPPR applies excessive and unnecessary payment reductions to specific “always therapy” codes, significantly impacting the financial viability of therapy practices and limiting access to vital therapy services.

Reform the Quality Payment Program

The Quality Payment Program, or QPP, comprises two payment tracks: the Merit-based Incentive Payment System, or MIPS, and Advanced Alternative Payment Models, or APMs. In its current form, the QPP poses significant challenges to non-physician providers, including physical therapists. Therapists have struggled to meaningfully participate in MIPS or engage in APMs. One reason for this difficulty is that CMS has failed to pilot or implement several alternative payment and delivery models applicable to therapy providers. Additionally, the cost of participating in these programs often outweighs any potential payment adjustments, and the interoperability requirements for participation are an insurmountable burden for most providers. Congress must enact meaningful reforms to the QPP that recognize the value of therapy providers and facilitate their meaningful participation.

The Economic Value of Physical Therapy in the United States

A September 2023 report from the American Physical Therapy Association outlines the cost-effectiveness and economic value of physical therapist services for a broad range of common conditions. “The Economic Value of Physical Therapy in the United States” reinforces the importance of physical therapists and physical therapist assistants in improving patient outcomes and decreasing downstream costs. Policymakers should use this report to inform legislative and regulatory efforts for health care delivery and payment under Medicare, Medicaid, and commercial payers. **Review the findings at [ValueofPT.com](https://www.valueofpt.com).**

American Physical Therapy Association

The American Physical Therapy Association is a national organization representing 100,000 physical therapists, physical therapist assistants, and students of physical therapy. Our mission is to build a community that advances the profession of physical therapy to improve the health of society.



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