

## 2024 Issue Brief Medicare Reimbursement Cuts

### Issue

Over the past few years, decreasing reimbursement rates, coupled with increased labor and supply chain costs have made providing quality care increasingly difficult year after year. Congress intervened in December 2021, 2022, and March 2024 by temporarily pausing some of these cuts. However, while the passage of this partial relief provided critical financial relief to multispecialty medical groups and integrated systems of care, obstacles remain. These reductions stem from the following:

### Changes to the Medicare Conversion Factor

Providers have faced almost 8% in cuts to Medicare Part B reimbursement over the past four years. Congress continues to pass partial, temporary patches to the Medicare Part B conversion factor, which converts relative value units into an actual dollar amount. Medicare updates the conversion factor annually according to a formula specified by statute and, importantly, within the constraints of Medicare’s budget-neutral financing system. However, in 2025, providers are expecting a larger conversion factor cut than last year, even with past partial relief provided by Congress.

### Medicare PAYGO Cuts

The American Rescue Plan Act (ARP) of 2021 increased spending without offsets to other federal programs. Under statutory Pay-As-You-Go (PAYGO) rules, any increases to the federal deficit automatically trigger an additional series of across-the-board reductions to federal programs. According to the Congressional Budget Office (CBO), ARP triggered PAYGO, creating a 4% cut or \$36 billion in cuts to the Medicare program annually, which significantly impacts the ability of medical groups and health systems to deliver care to the patients in their communities.<sup>i</sup> Congress delayed these PAYGO cuts the last three years, but by December 31, 2024, policymakers must once again address this issue to ensure that providers’ Medicare reimbursements are not cut substantially.

### AMGA asks Congress to:

- **Pass legislation to eliminate any cuts to the Medicare conversion factor**
- **Clear the PAYGO “scorecard” and ensure no further PAYGO cuts occur in 2025**

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<sup>i</sup> Congressional Budget Office, (2021, February 21), Letter to Honorable Kevin McCarthy, Potential Statutory Pay-As-You-Go Effects of the American Rescue Plan Act of 2021, [cbo.gov/system/files/2021-02/57030-McCarthy.pdf](https://www.cbo.gov/system/files/2021-02/57030-McCarthy.pdf)