

2022 TO BRING MEDICARE CUTS

Understanding Why They Are Happening and How They Can Be Averted

OVERVIEW

Physicians are facing the “perfect storm” which will bring almost a 10 percent cut in Medicare reimbursement on January 1, 2022. This cut will result from three different policies: a 3.75 percent cut in the Medicare Physician Fee Schedule (PFS) conversion factor, a 4 percent cut resulting from the passage of the American Rescue Plan Act triggering a sequester mandated by the Pay-As-You-Go Act of 2010 (PAYGO), and the reinstatement of the 2 percent Medicare sequester that has been in place since the enactment of the Budget Control Act of 2011 (BCA). To avert these cuts, Congress must act; the administration does not have the authority to do so. Below, is a detailed description of the scheduled reimbursement cuts that total a **9.75 percent** physician payment reduction next year.

CY 2022 Medicare Physician Fee Schedule Proposed Rule

The Centers for Medicare & Medicaid Services (CMS) outlines Medicare payment policies in the annual PFS proposed rule. In the CY 2022 proposed rule, the agency included a 3.75 percent cut to the conversion factor as a result of the expiration of the money Congress injected into the PFS in the Consolidated Appropriations Act of 2021. Congress added \$3 billion in new money to the PFS for 2021 to mitigate the decreases many services were facing resulting from the increases to the relative value units (RVUs) for the outpatient evaluation and management services. The PFS is budget neutral, and normally, increases to services are offset by decreases across the PFS. However, Congress intervened and mitigated the cuts in 2021 because of the challenges physicians were facing during the COVID-19 pandemic. Congress stated they only intended to add new money to the PFS for one year, and it is not clear if they can be persuaded otherwise. Should Congress choose not to add new money to the PFS for 2022, this **3.75 percent** cut will remain in place and will only apply to Part B physician services.

Statutory Pay-As-You-Go Act of 2010 (PAYGO) Sequester

The Statutory PAYGO Act of 2010 requires that legislation increasing the federal budget deficit through an increase in federal spending or a reduction in revenues must be offset by revenue increases or reduced spending in other areas, such as cuts in mandatory programs like Medicare. Should such legislation be enacted, the Office of Management and Budget is required to implement sequestration in mandatory spending. Congress passed the American Rescue Plan Act of 2021 (ARPA) which included additional COVID-19 relief triggering PAYGO and imposing a 4 percent cut to all Medicare payment. Without Congressional intervention, the statutory PAYGO cut of **4 percent** will go into effect on January 1, 2022. ARPA is not the first legislation enacted that would increase the deficit; however, it will be the first to trigger a PAYGO cut if Congress does not eliminate it.

Medicare Sequestration Payment Reduction

The BCA mandated federal budget cuts over nine years to reduce the federal budget deficit. This included annual 2 percent cuts to Medicare payments, also known as Medicare sequestration. However, this sequester has proven to be a popular offset and has been extended by Congress through fiscal year 2030. Due to the COVID-19 pandemic and its effects on physicians and other health care providers, Congress passed legislation to extend the moratorium on this sequester through December 31, 2021. Without action, the **2 percent** reduction in reimbursement for all Medicare services will be reinstated on January 1, 2022.