



Independent Physicians Are Relying on Medicare Payment Updates to Keep Their Doors Open in 2022

Independent physicians and practices are fighting for their survival. Although hanging out your own shingle as a community doctor was once the primary way to practice medicine, more and more of today's physicians are instead choosing to be employed by larger providers such as hospitals. In 2021, for the first time, the [American Medical Association](#) found that less than 50 percent of physicians in the U.S. are in independent practice. Between July 2020 and January 2021, the rate at which hospitals employ physicians [increased](#) by 3 percent.

Consolidation is occurring across the provider market for many reasons. One reason is the crushing financial pressure facing many independent physicians and practices as a result of the pandemic. Many physicians are giving up independent practice not because they want to but because financially it is no longer sustainable for them to remain independent. In a survey from August 2021, less than [30 percent](#) of primary care practices say they are on solid financial footing.

To give independent practices and physicians a chance to remain independent if they choose to, reimbursement structures for federal programs such as Medicare must keep pace. This is true even as organizations like the Partnership to Empower Physician-Led Care advocate for value-based care models as a path to sustainability for independent practices. Many value-based care models are built off the fee-for-service chassis; as a result, it is imperative that the chassis appropriately compensate physicians for the clinical value of their services.

We cannot realize the vision for our health care system without ensuring appropriate payment as the underlying foundation. Despite rising costs and inflation, until recent proposals by CMS, Medicare clinical labor pricing had not been updated for almost 20 years. As a result, the services of doctors, nurses and other skilled clinicians was systematically undervalued by the Medicare program, with the gap between actual costs and reimbursed costs widening over time as costs increased.

Failure to update these pricing inputs has contributed to the increasingly difficult climate for independent practices to survive. It has led to an imbalance across practice settings with hospitals, skilled nursing facilities and other facilities receiving annual Medicare payment updates to account for increasing costs while physicians and other clinicians are forced to figure out how to do more with less.

Under these circumstances, consolidation becomes almost inevitable to the great detriment of patients across the health care system. Time and time again, studies have shown that hospital acquisition of physician practices [increases prices](#) without any improvement in patient outcomes. The higher prices are then passed on to patients in the form of higher [insurance premiums](#). One study from [California](#) found that an increase in vertical integration in highly concentrated hospital markets led to a 12 percent increase in Marketplace premiums.

That is why we were pleased to see that CMS finalized its proposal to increase Medicare clinical labor pricing, starting in 2022. Clinical practice data is used to inform staff salary and benefit levels – some of the most significant overhead costs borne by an independent practice. Prior to the CY 2022 final rule,



clinical practice information has not been updated since 2002. This update will provide critical relief to physician practices across the country.

The Partnership to Empower Physician-Led Care strongly recommends that CMS swiftly implement its planned clinical pricing update in FY 2022. This update is a critical lifeline for independent practices and physicians, and is a mechanism for attempting to stave off additional provider market consolidation.