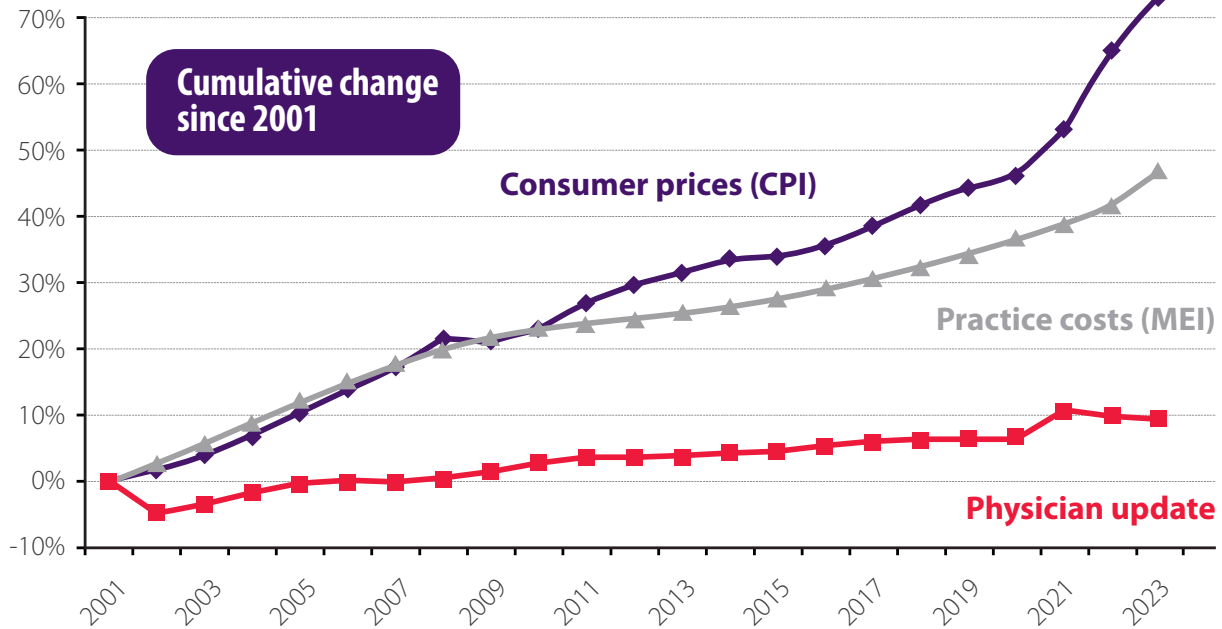


## The Medicare physician payment system needs annual inflation updates



Sources: Federal Register, Medicare Trustees' Reports, Bureau of Labor Statistics, Congressional Budget Office.

According to data from the Medicare Trustees, Medicare physician pay has increased just 9 percent over the last twenty-two years, or 0.4 percent per year on average. In comparison:

- The cost of running a medical practice increased 47 percent between 2001 and 2023, or 1.8 percent per year. Inflation in the cost of running a medical practice, including increases in physician office rent, employee wages, and professional liability insurance premiums, is measured by the Medicare Economic Index or MEI.
- Economy-wide inflation, as measured by the Consumer Price Index, increased 73 percent over this period (or 2.5 percent per year), with recent inflation at levels not seen since the 1980s.

As a result, Medicare physician pay doesn't go nearly as far as it used to. Adjusted for inflation in practice costs, Medicare physician pay declined 26 percent from 2001 to 2023, or by 1.3 percent per year on average.

**The combined impact of continued statutory freezes, rising inflation, and pandemic disruptions jeopardizes the financial stability of physician practices and offers no support for practice innovation. Further, physicians are the only Medicare providers who do not receive annual updates for inflation. Congress must replace the statutory freeze with updates based on the Medicare Economic Index.**