

## Medicare Physician Fee Schedule – Talk Sheet on Budget Neutrality

- Current law requires that CMS update the Medicare Physician Fee Schedule (MPFS) on a “budget neutral” basis. To maintain budget neutrality, CMS must generally offset any increase or decrease in the valuation of codes that exceed \$20 million by effectuating payment cuts or payment increases on all other services<sup>i</sup>.
- Because CMS has attempted to create major changes to the valuation of codes within the fee schedule through rulemaking, particularly over the last several years, physicians face perennial uncertainty surrounding their income streams under the MPFS.
- As an example, before Congress intervened to stop the full effects of the 2021 MPFS Final Rule from reducing pay to physician specialists by as much as 10%, many practices were forced to engage in financial contingency planning to address such a massive looming disruption to their revenue streams.
- No industry could sustain operations while encountering such wild, perennial potential swings in revenue.
- Addressing budget neutrality by limiting the potential for such wild swings in revenue would make the practice of medicine and the Medicare program itself more sustainable.

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<sup>i</sup> <https://www.law.cornell.edu/cfr/text/42/414.28>