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March 19, 2025

Michael Chernew, PhD
Chair
Medicare Payment Advisory Commission
425 I Street NW, Suite 701
Washington, DC 20001

RE: Reforming Physician Fee Schedule Updates and Improving the Accuracy of Relative Payment Rates

Dear Chair Chernew,

On behalf of the American Academy of Dermatology Association (AADA), the leading organization in dermatological care representing over 17,500 dermatologists nationwide, I write in response to the session titled "Reforming Physician Fee Schedule Updates and Improving the Accuracy of Relative Payment Rates" that took place during the March 6, 2025 meeting of the Medicare Payment Advisory Commission (MedPAC). Reforming the Medicare Physician Fee Schedule (MPFS) is essential to ensuring the long-term stability of medical practices and preserving patient access to care. The AADA urges the Commission to recommend that annual updates to the MPFS equal to the full growth in the Medicare Economic Index (MEI).

The AADA appreciates MedPAC's recognition of the need to reform Medicare physician payment and its efforts to pursue improvements to annual payment updates and payment accuracy. However, the AADA remains deeply concerned about the continued instability of the MPFS, as physicians now face the fifth consecutive year of payment cuts. Despite calls for action, Congress failed to prevent the 2.8% reduction to the Medicare conversion factor for CY 2025, following the expiration of the 2.93% temporary payment increase authorized by the *Consolidated Appropriations Act (CAA) of 2024*. This cut, combined with a 3.5% increase in MEI for 2025, places additional financial strain on physicians, particularly those in small practices, and threatens patient access to care.

Stabilizing the MPFS is critical to preserving independent medical practices, mitigating consolidation, ensuring patient access, and supporting high-quality care. In recent reports to Congress, MedPAC has acknowledged the rising costs of delivering care and the financial pressures facing medical practices. However, most recently, at the March 6, 2025, meeting, MedPAC discussed recommending that Congress replace the current-law updates to the physician fee schedule with an annual update based on a portion of the growth in MEI (such as MEI minus 1 percentage point). While the AADA appreciates MedPAC's

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recognition that physician payment updates must better reflect economic realities, the approach contemplated at the March 6 meeting does not go far enough to address the deeper structural flaws in Medicare's payment system. An update that is less than the full growth in MEI would fail to provide adequate support for physicians, whose payment updates have failed to keep pace with increases in practice costs for decades.

Adjusted for inflation, Medicare physician payment has been slashed by 33 percent from 2001 to 2025.¹ Unlike other Medicare provider payments, the physician payment system lacks an adequate annual update to account for rising costs.² As a result, many physician practices face increasing financial strain, which disproportionately threatens the viability of small, independent, physician-owned practices and those serving historically marginalized communities. Without reform, these challenges will further exacerbate disparities in access to care.

Furthermore, the ongoing cycle of temporary congressional "patches" is not a sustainable solution. These short-term fixes create uncertainty, leaving physicians financially vulnerable and ultimately harming patient access. Without comprehensive Medicare payment reform, rising costs and inflation will continue driving practice consolidation, which increases costs, reduces competition, and limits Medicare beneficiaries' access to high-quality care.

A permanent, inflation-adjusted Medicare payment update equal to the full growth in MEI is the only viable long-term solution to stabilize physician payments and protect patient access. Unlike hospitals and ambulatory surgical centers, which receive inflation-based updates, physician payments remain subject to unpredictable cuts, making long-term financial planning difficult. The continued erosion of physician reimbursement has already led to practice closures and increased financial strain, particularly for small and independent practices. Without a stable, inflation-based update, more physicians will be forced into employment with hospitals or large health systems, further driving consolidation and increasing Medicare costs. **The AADA urges MedPAC to recommend a permanent, annual Medicare payment update equal to the full MEI to ensure payment stability and preserve patient access to care.**

Thank you for your consideration of these comments. Should you have any questions, please contact Jillian Winans, Associate Director, Regulatory and Payment Policy, at jwinans@aad.org.

Sincerely,



Susan C. Taylor, MD, FAAD
President, American Academy of Dermatology Association

¹ American Medical Association. Medicare Gap Chart 2025. Published January 2025. Accessed March 12, 2025. https://fixmedicarenow.org/sites/default/files/2025-01/Medicare%20Gap%20Chart_2025.pdf.

² American Medical Association. Medicare provider updates for 2025. Published January 2025. Accessed March 13, 2025. <https://www.ama-assn.org/system/files/medicare-provider-updates-chart-2025.pdf>.