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**U.S. House
Committee on Energy and Commerce
Health Subcommittee**

Hearing:

Lowering Health Care Costs for All Americans: An Examination of the U.S. Provider Landscape

March 18, 2026

**Statement for the Record
American Academy of Dermatology Association**

Chairman Griffith and Ranking Member DeGette, on behalf of the more than 18,000 U.S. members of the American Academy of Dermatology Association (AADA), we thank you for the opportunity to submit a statement for the record regarding your hearing, *Lowering Health Care Costs for All Americans: An Examination of the U.S. Provider Landscape*.

A board-certified dermatologist has extensive training, which allows them to accurately diagnose and properly treat more than 3,000 diseases of the skin, hair, and nails. Administrative burdens and declining Medicare physician payment amplify physician burnout and threaten patient access to care. Every closed practice, every second of delayed care, every unfilled job in a practice, all hampers coordination and threatens the viability of Medicare. Unfortunately, after more than twenty years of cuts to Medicare physician payment, these delays, closures, and unfilled roles are far too common.

Stabilizing Medicare Physician Payment to Ensure Patient Access to Affordable Care

Stable and predictable Medicare reimbursement will help lead to greater access for patients and increase the bandwidth of health professionals to coordinate care. Medicare physician payment cuts threaten patient access as physician offices close or become consolidated within larger health systems with narrow networks to specialists and subspecialists. This results in reduced accessibility to affordable, high-quality dermatologic care, fewer options for patients to choose their own physician and health insurance that best meets their needs and increased national healthcare expenditures.

CORRESPONDENCE

PO Box 1968
Des Plaines, IL 60017-1968

EMAIL: mrc@aad.org
WEB: aad.org

ROSEMONT, IL OFFICE

9500 W Bryn Mawr Avenue, Suite 500
Rosemont, IL 60018-5216

MAIN: (847) 330-0230
FAX: (847) 240-1859

WASHINGTON, DC OFFICE

1201 Pennsylvania Avenue, NW, Suite 540
Washington, DC 20004-2401

MAIN: (202) 842-3555
FAX: (202) 842-4355

Since 2001, the cost of operating a medical practice has increased 59%. During this time, Medicare hospital and nursing facility updates resulted in a roughly 70% increase in payments to these entities, significantly outpacing physician reimbursement. Adjusted for inflation in practice costs, Medicare physician reimbursement declined 33% from 2001 to 2025. This out-of-balance payment structure disproportionately threatens the viability of medical practices, especially smaller, independent, physician-owned practices, as well as those serving low-income or historically marginalized patients. Dermatologists are seeing the real effect of cuts. In the past 8 years, private insurance patients for dermatologists have increased by 21% while Medicare patients are down 27%.

The current Medicare physician payment system has led to increased consolidation and hospital ownership of physician practices resulting in higher national health care expenditures and reduced competition to the health care system, which poses significant access and affordability challenges for patients. In considering the failure of the MPFS to keep up with the rising costs of delivering medical care, it is important to remember that physicians rely on reimbursement to cover a multitude of practice expenses. These expenses include staff salaries, benefits, federal and state regulatory compliance costs, and expenses associated with insurance mandates, such as step therapy and prior authorization.

The impact of these burdens is unsustainable. Many physicians have already had to close their doors, leave their communities, retire early, or leave the practice of medicine. The inability to provide inflationary pay raises to practice employees is contributing to the current health care workforce crisis in which we are seeing increasing burnout rates and a mass exodus of our clinical, administrative, and clerical staff into other industries.

Fewer physicians in our communities means longer waiting times for patients to receive care. According to the Health Resources and Services Administration, currently, dermatology is only able to meet approximately 37.1% of patient demand in non-metro areas. When those patients do receive care, their only option may be non-physician providers of care with less training, or more expensive care in suboptimal settings including emergency departments and hospital-based practices. Medicare patients will suffer in the end with delayed and second-rate care at a higher cost. Declining reimbursement and increasing administrative burdens will exacerbate this shortage of physicians when offices close their doors.

Recently, the Medicare Payment Advisory Commission (MedPAC) shared its concerns about whether beneficiaries will continue to have adequate access to care in the coming years as growth in physician practice operating costs is expected to exceed growth in Medicare payment rates by a greater amount than it did in the prior two decades. This larger gap could create incentives for physicians to reduce the number of Medicare beneficiaries they treat, stop participating in Medicare entirely, or vertically consolidate with hospitals, which could increase spending for beneficiaries and the Medicare program.

To protect access and ensure affordability for patients while protecting physician practices from further consolidation, Congress must take action to advance Medicare physician payment reform by:

- Establishing a positive annual inflation adjustment; and
- Increasing the budget neutrality threshold.

We urge Congress to pass H.R. 6160, the Strengthening Medicare for Patients and Providers Act, which would provide for an inflationary update under the Medicare physician fee schedule tied to the Medicare Economic Index (MEI) beginning in 2026. This legislation is a critical step toward ensuring financial stability in the Medicare physician payment system so that patients have continued access to high-quality care. The AADA also urges Congress to pass legislation like H.R.6371 – 118th Congress, Provider Reimbursement Stability Act of 2023, which would raise the outdated budget neutrality threshold in the Medicare Physician Fee Schedule (MPFS).

The failure of the MPFS to keep up with inflation is the greatest threat to access to care in physician offices. Stabilizing the MPFS is critical to fortify independent medical practice, combat consolidation and maintain access for patients. On January 16, 2025, the MedPAC voted to recommend tying Medicare physician payment for CY 2026 to MEI minus 1 percentage point. The MEI, which measures practice cost inflation, is projected to increase by 2.3% in 2026.

The AADA is appreciative of the 2.5% plus-up to Medicare physician payment that Congress provided for calendar year 2026. Additionally, the AADA was supportive of the policy included in the original House-passed version of H.R. 1 that would have tied the MPFS to inflation by establishing a permanent, annual update based on a portion of MEI. This could have been a building block towards long-term, sustainable reform of predictable annual inflationary adjustments, but unfortunately this policy was not finalized, meaning permanent reform based on even a portion of MEI is desperately needed to protect patient access to affordable, convenient care.

Concerns In the CY 2026 MPFS

In the CY 2026 MPFS, CMS finalized a proposal to apply a 2.5 percent “efficiency adjustment” policy. The AADA is strongly opposed to this policy as it is not supported by valid data, is inconsistent with the Medicare statute, undermines the relativity of resource-based relative value scale (RBRVS), and most importantly, risks harming patient care.

CMS has not explained the rationale for selecting 2.5 percent for the efficiency adjustment beyond citing productivity adjustments in the MEI, which has no meaningful relationship to physician work. Applying an economy-wide productivity factor to physician services is arbitrary and ignores the realities of clinical care. Further, reliance on the MEI is particularly misplaced in this policy because, unlike hospitals and other Medicare payment systems that receive routine inflationary updates, physician services do not benefit from an automatic adjustment for rising costs.

There is no evidence that dermatologists, or physicians in general, are performing procedures more efficiently today than in the past. The time it takes for local anesthesia to become effective or for a patient to stop bleeding has not changed and cannot be made more efficient simply through repetition. In fact, many modern tools require additional physician time, including the use of artificial intelligence. Advanced imaging systems and artificial intelligence tools produce far more data that must be carefully reviewed, interpreted, and documented. A recent national study of 1.7 million surgical procedures found that operative times have increased over the past five years, while patient complexity has also grown. The authors concluded that there is no evidence to support CMS's assumption that physicians are performing procedures more efficiently today.

Unsupported and meritless policies such as the "efficiency adjustment" destabilize the healthcare system by encouraging consolidation and further exacerbate the failures within Medicare, which reinforces the need for long-term sustainable reform. To address this flawed policy, Congress should enact recently introduced legislation, H.R.7520, the Efficiency Adjustment Delay Act, which is critical in ensuring patient access to medical care by delaying the flawed "efficiency adjustment" finalized in the Calendar Year 2026 Medicare Physician Fee Schedule until 2030. The AADA stands ready to work with CMS and Congress on an alternative path forward such as linking Medicare physician payment to a positive inflationary adjustment and reforming budget neutrality.

On behalf of the AADA, thank you for your leadership and help ensuring that Medicare meets the needs of Americans. The AADA is committed to excellence in the medical and surgical treatment of skin diseases; advocating for high standards of clinical practice, education, and research in dermatology and dermatopathology; and driving continuous improvement in patient care and outcomes while reducing the burden of disease. The AADA welcomes the opportunity to continue working with Congress to identify opportunities to maintain patient access to affordable care and improve outcomes. Together, we can make a positive difference for patients across the nation.