

**U.S. House of Representatives
Committee on Ways and Means
Subcommittee on Health**

Hearing:

Modernizing American Health Care: Creating Healthy Options and Better Incentives

February 11, 2025

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

Chairman Buchanan and Ranking Member Doggett, on behalf of the more than 17,000 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, *Modernizing American Health Care: Creating Healthy Options and Better Incentives*.

The AADA believes that strengthening and reforming the Medicare physician payment system will promote healthy living by providing patients with more options, greater flexibility in finding physicians in their communities that fit their needs, and incentivizes patient utilization of preventative 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 and fewer options for patients to choose their own physician and health insurance that best meets their needs. Lower access to care is a disincentive to seek out preventative care like skin cancer screenings.

To accomplish this goal, Congress must take action to advance Medicare physician payment reform by:

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

In the 2025 Medicare Physician Fee Schedule (MPFS) Rule, the Centers for Medicare & Medicaid Services (CMS) finalized changes that resulted in a 2.8% cut to Medicare physician payment on January 1, 2025. *The AADA urges Congress to pass H.R. 879, the Medicare Patient Access and Practice Stabilization Act of 2025, which would stop the 2.8% cut to Medicare physician payment, ensure that physicians are made whole for the cuts already in effect in 2025, and provide an overdue positive inflationary adjustment for physician practices for 2025.*

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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 Medicare Payment Advisory Commission (MedPAC) voted to recommend tying Medicare physician payment for CY 2026 to the Medicare Economic Index (MEI) minus 1 percentage point. The MEI, which measures practice cost inflation, is projected to increase by 2.3% in 2026.

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.

The current Medicare physician payment system has led to increased consolidation and hospital ownership of physician practices resulting in higher expenses and reduced competition to the health care system. 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.

Physician practices are often small businesses that contribute to the economy of their communities. Other industries can adjust their products' pricing to reflect rising costs and increased staff salaries. However, physicians do not have the ability to do this. In the face of crippling inflation, the MPFS serves to destabilize practices with year-after-year cuts. Such a structure is unsustainable, and we must not expect physicians delivering essential medical care to Medicare beneficiaries and their communities to endure it.

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. With reduced staff comes a diminished capacity to provide quality health care and maintain patient access. Reduced staffing leads to barriers in communicating and coordinating care, such as scheduling appointments and discussing laboratory reports, which can impact patient satisfaction and outcomes.

Fewer physicians in our communities means longer waiting times for patients to receive care. 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. This is real, not theoretical, and is already occurring in our communities. Medicare patients will suffer in the end with delayed and second-rate care at a higher cost.

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Currently, dermatology is only able to meet approximately 37.1% of patient demand in non-metro areas.ⁱ Declining reimbursement and increasing administrative burdens will exacerbate this shortage of physicians when offices close their doors. Without access to both routine and preventative care, patients may never receive the care they need or may show up in an emergency room with a condition that could have been more easily treated sooner.

In order to protect patient access to care and improved health outcomes, physicians need positive, inflation-based reimbursement updates to maintain financial stability. H.R. 879 is a positive step toward stabilizing the MPFS and maintaining patient access to care. *In addition to this legislation, we urge Congress to pass long-term reform to establish a positive annual inflation adjustment and replace or eliminate budget neutrality requirements to physician payment.*

On behalf of the Academy, thank you for your leadership on this important issue of modernizing American health care. The American Academy of Dermatology Association (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 care, improve outcomes, and incentivize healthy living. Together, we can make a positive difference for patients across the nation.

ⁱ <https://data.hrsa.gov/topics/health-workforce/workforce-projections>