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January 21, 2025

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

The Honorable James David Vance
Vice President of the United States
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear President Trump and Vice President Vance,

On behalf of the American Academy of Dermatology Association (AADA), the leading organization in dermatological care representing over 17,500 dermatologists nationwide, I write to congratulate you on your election and inauguration. The AADA looks forward to working with your administration to protect patient access for America's seniors as we seek a solution to ongoing instability of the Medicare Physician Fee Schedule (MPFS) and its impact on physicians' ability to provide high-quality care to beneficiaries.

The AADA is deeply alarmed by the continued instability in the MPFS, as physicians are now experiencing the fifth consecutive year of payment cuts. Unfortunately, Congress did not act in time to stop the 2.8% Medicare cut to the conversion factor for calendar year (CY) 2025, resulting from the expiration of the 2.93% temporary payment increase authorized by the *Consolidated Appropriations Act (CAA) of 2024*. This reduction, paired with a 3.5% increase in the Medicare Economic Index (MEI) for CY 2025, reflecting the rising costs of running a medical practice, has placed additional financial strain on physicians, particularly those in small practices, and threatens patients' access to care.

Stabilizing the MPFS is critical to preserving independent medical practices, combating trends toward consolidation, and ensuring patients have access to care. In recent reports to Congress, the Medicare Payment Advisory Commission (MedPAC) has acknowledged the rising costs of delivering care and operating medical practices. Most recently, on January 16, 2025, MedPAC voted to recommend that Medicare physician payments for CY 2026 be updated based on MEI, minus one percentage point. While a 1.3% increase in payments for CY 2026 is a step in the right direction compared to previous

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January 21, 2025
Page 2 of 2

recommendations, it still falls short of addressing the broader structural inadequacies in the Medicare physician payment system.

Since 2001, the cost of operating a medical practice has increased 47%. 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. The MPFS is an unsustainable payment structure that disproportionately threatens the viability of medical practices, especially small, independent, physician-owned practices, as well as those serving low-income or historically marginalized patients, which further exacerbates disparities in care.

The current cycle of repeated payment cuts and temporary congressional "patches" has placed patient access to care at serious risk. These stopgap measures fail to address the structural flaws in the system and leave physicians vulnerable to financial instability. Without comprehensive Medicare payment reform, rising costs and inflation will continue to force further consolidation of physician practices, which ultimately increases costs, reduces competition, and limits Medicare beneficiaries' access to high-quality care.

The AADA hopes your Administration can work with Congress and CMS to develop a sustainable, long-term solution to stabilize the Medicare physician payment system. Positive, inflation-adjusted payment updates are critical to ensuring physicians can maintain financial stability, preserve independent practices, and safeguard patient care. We also call on you to enact legislative reforms that avert the CY 2025 payment cut and establish long-term fixes to the MPFS, including implementing a positive inflationary update and eliminating budget neutrality requirements.

Thank you for your leadership on this important issue. The AADA stands ready to work with your administration to support physicians by safeguarding Medicare beneficiaries' access to high-quality care. Together, we can make a positive difference for patients across the nation. Should you have any questions, please contact Karry La Violette, Senior Vice President, Advocacy & Policy at klaviolette@aad.org.

Sincerely,

A handwritten signature in cursive script that reads "Seemal R. Desai MD FAAD".

Seemal R. Desai, MD, FAAD
President, American Academy of Dermatology Association