

Upcoming Payment Cuts

Without further legislative action, several payment cuts will take place and health programs will expire on January 1, 2025. We expect action on these issues in December, during the lame duck legislative session.

Payment Cuts

| | <i>Reduction Amount</i> | <i>Background</i> |
|--|-------------------------|---|
| Physician Fee Schedule (PFS) | 2.8% | CMS proposed a 2.8% payment cut for the CY 2025 Physician Fee Schedule due to a reduction in the conversion factor. If the Medicare Economic Index increases by the predicted 3.6%, the gap between what it costs to provide care and what PFS pays will continue to widen. ¹ Congress has reduced these cuts in the past. |
| PAYGO Reductions | 4% | To help decrease the national deficit, Congress abides by a “ pay-as-you-go ” (PAYGO) policy that requires all new spending/taxes be offset. PAYGO sequestration ² has been congressionally waived in past years. |
| Disproportionate Share Hospital (DSH) Payments | \$8 Billion | The Medicaid DSH payment reductions are set to take effect on Jan. 1, 2025. Congress previously repealed the FY 2024’s Medicaid DSH cuts but the law requires payment reductions from FY 2025 – FY 2027. DSH reductions are further exacerbated by the uninsured rate. |
| Clinical Laboratory Fee Schedule (CLFS) | 15% | Under the CLFS , clinical diagnostic labs’ payment are set to be reduced by “no more than 15%” for CYs 2025 through 2027. These reductions were deferred from 2021 through 2024. |

Expirations Impacting Reimbursement

| | <i>Background</i> |
|------------------------------------|--|
| Telehealth Flexibilities | Telehealth flexibilities are slated to expire on January 1, 2025, including originating site flexibility, audio-only telehealth services and waived in-person requirements for telemental health. Permanent adoption is not expected this year. Extending the flexibilities for two years is estimated to cost Medicare an additional \$4 billion, which would require Congress to find a pay-for. |
| Medicare Dependent Hospital (MDH) | Although temporarily extended , the MDH program and its provider classification are set to expire on January 1, 2025. |
| Low-Volume Hospital (LVH) Payments | Although temporarily extended , the extended definition of “low-volume hospital” is set to expire on January 1, 2025. |

¹ The American Medical Association supports the *Strengthening Medicare for Patients and Providers Act* ([H.R. 2474](#)) which would provide a permanent, annual update payment update equal to the increase in the MEI.

² Sequestration is a policy principle requiring across-the-board spending cuts to offset policies that would otherwise increase spending past specific budgetary goals.