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Chester County Medical Society

Medicare Payment Reform Should Preserve Independent Physician Practices and Protect Patient Access

Re: CY2027 Medicare Physician Fee Schedule Proposed Rule (CMS-1848-P; Docket CMS-2026-2377)

Dear Senator/Representative,

On behalf of the Chester County Medical Society and the physicians who care for Medicare beneficiaries throughout southeastern Pennsylvania, we respectfully urge you to oppose the Centers for Medicare & Medicaid Services' (CMS) proposed reductions in physician reimbursement contained in the CY2027 Medicare Physician Fee Schedule. Specifically, we ask Congress to reject both the proposed reduction in the Medicare Physician Fee Schedule conversion factor and the proposed reduction in payment for evaluation and management (E/M) services reported with Modifier 25.

While these proposals are presented as payment policy changes, their consequences extend far beyond physician reimbursement. They threaten patient access to care, accelerate the loss of independent physician practices, reduce competition within local health care markets, and ultimately increase Medicare spending.

Chester County: A Case Study in Health Care Consolidation

The effects of health care consolidation are no longer theoretical—they are the reality facing patients throughout Chester County.

Over the past decade, our region has experienced unprecedented consolidation of hospitals, physician practices, and specialty services. Penn Medicine, Main Line Health, and Jefferson Health now dominate hospital-based care throughout Chester County, while the Children's Hospital of Philadelphia has become the leading provider of pediatric specialty services across southeastern Pennsylvania.

As independent physician practices disappear, patients have fewer choices, physicians lose their professional independence, and competition declines. Numerous economic analyses have demonstrated that highly concentrated health care markets are associated

with higher prices and increased health care spending, while improvements in quality are inconsistent at best.

Congress has repeatedly expressed concern about rising health care costs and excessive market concentration. Unfortunately, current Medicare payment policy is contributing to the very problem policymakers are attempting to solve.

Medicare Has Failed to Keep Pace with Practice Costs

Adjusted for inflation, Medicare physician reimbursement has declined by approximately 33 percent since 2001.

During that same period, physician practices have experienced dramatic increases in virtually every expense required to deliver patient care, including:

- Clinical and administrative staff salaries
- Employee health and retirement benefits
- Medical supplies and pharmaceuticals
- Information technology and cybersecurity
- Electronic health record requirements
- Regulatory compliance
- Professional liability insurance
- Rent and facility expenses

Unlike hospitals, skilled nursing facilities, ambulatory surgical centers, Medicare Advantage plans, and nearly every other Medicare provider category, physicians remain the only major providers without a permanent statutory payment update tied to inflation through the Medicare Economic Index.

This creates an unsustainable business model for community-based physician practices.

Modifier 25 Supports Comprehensive Patient Care

The proposed reduction in payment for Modifier 25 services is particularly troubling.

Modifier 25 is used when a physician provides a significant, separately identifiable evaluation and management service on the same day as a medically necessary procedure.

These services frequently occur in primary care and many specialties, including allergy/immunology, dermatology, orthopedics, ophthalmology, otolaryngology, urology, gastroenterology, and general surgery.

Examples include:

- Evaluating a patient with new symptoms while performing a joint injection.
- Managing multiple chronic medical conditions while performing allergy testing.
- Diagnosing and treating a new skin lesion before performing a biopsy.
- Evaluating an asthma exacerbation while administering a medically necessary procedure.

These are not duplicate services.

They represent additional physician work, independent medical decision-making, documentation, patient counseling, medication management, and coordination of care that would otherwise require a separate office visit.

Reducing payment for these services discourages efficient, patient-centered care.

Instead of resolving multiple health concerns during a single visit, physicians may be forced to schedule additional appointments simply to remain financially viable. This increases travel for elderly patients, delays treatment, creates unnecessary administrative work, and often increases total Medicare expenditures rather than reducing them.

Medicare Policy Should Reward the Lowest-Cost Site of Care

Independent physician offices remain the most efficient and cost-effective setting for delivering outpatient medical care.

Yet current Medicare payment policy increasingly rewards higher-cost delivery systems while penalizing lower-cost physician practices.

When independent practices are acquired by hospital systems, the same physicians frequently provide the same services in the same offices. However, those services may subsequently be billed under hospital outpatient payment methodologies that include additional facility fees.

The result is predictable:

- Higher Medicare spending
- Higher beneficiary out-of-pocket costs
- Less competition
- Fewer independent physicians
- Greater market concentration

Ironically, policies intended to reduce physician payments frequently increase overall health care spending by accelerating consolidation into higher-cost delivery systems.

If Congress wishes to control Medicare expenditures, preserving independent physician practices should be viewed as a cost-containment strategy rather than a budgetary target.

The Stakes for Chester County

For Medicare beneficiaries in Chester County, these proposed payment reductions are not abstract policy decisions.

They will mean:

- Fewer independent physician practices.
- Longer waits for appointments.
- Reduced access for new Medicare patients.
- Less competition in local health care markets.
- Continued migration of care into higher-cost hospital-owned settings.
- Higher long-term costs for both taxpayers and patients.

Community physicians are often the first point of contact for patients and the cornerstone of coordinated, longitudinal care. Weakening these practices ultimately weakens the entire health care system.

Recommendations

The Chester County Medical Society respectfully urges Congress to:

1. Oppose the proposed reduction in the Medicare Physician Fee Schedule conversion factor.
2. Oppose the proposed reduction in payment for evaluation and management services reported with Modifier 25.
3. Enact permanent Medicare physician payment reform that includes annual updates tied to the Medicare Economic Index.
4. Advance site-neutral payment reforms that eliminate financial incentives for unnecessary hospital acquisition of physician practices.
5. Support federal policies that preserve independent physician practices, strengthen market competition, and improve patient access to affordable community-based care.

Conclusion

America cannot achieve a more affordable, competitive, and patient-centered health care system while simultaneously weakening the independent physician practices that provide much of that care.

The proposed CY2027 Medicare Physician Fee Schedule moves federal policy in the wrong direction. It places additional financial strain on community physicians, accelerates consolidation into higher-cost health systems, reduces patient choice, and risks increasing—not decreasing—overall Medicare spending.

The Chester County Medical Society respectfully asks you to work with your colleagues in Congress to protect Medicare beneficiaries, preserve independent physician practices, and enact a sustainable physician payment system that supports access to high-quality, community-based medical care for future generations.

Thank you for your leadership and your continued commitment to the health of the citizens of Pennsylvania and our nation.

Respectfully, Winslow Murdock, MD President CCMS

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