

## Legislative Update



On March 9, 2024, the Consolidated Appropriations Act, 2024 (2024 CAA) was signed into law. In addition to providing funding for several federal agencies for the fiscal year ending September 30, 2024 – which began on October 1, 2023 – this legislation includes several provisions impacting healthcare providers. This article includes a recap of the key healthcare provisions.

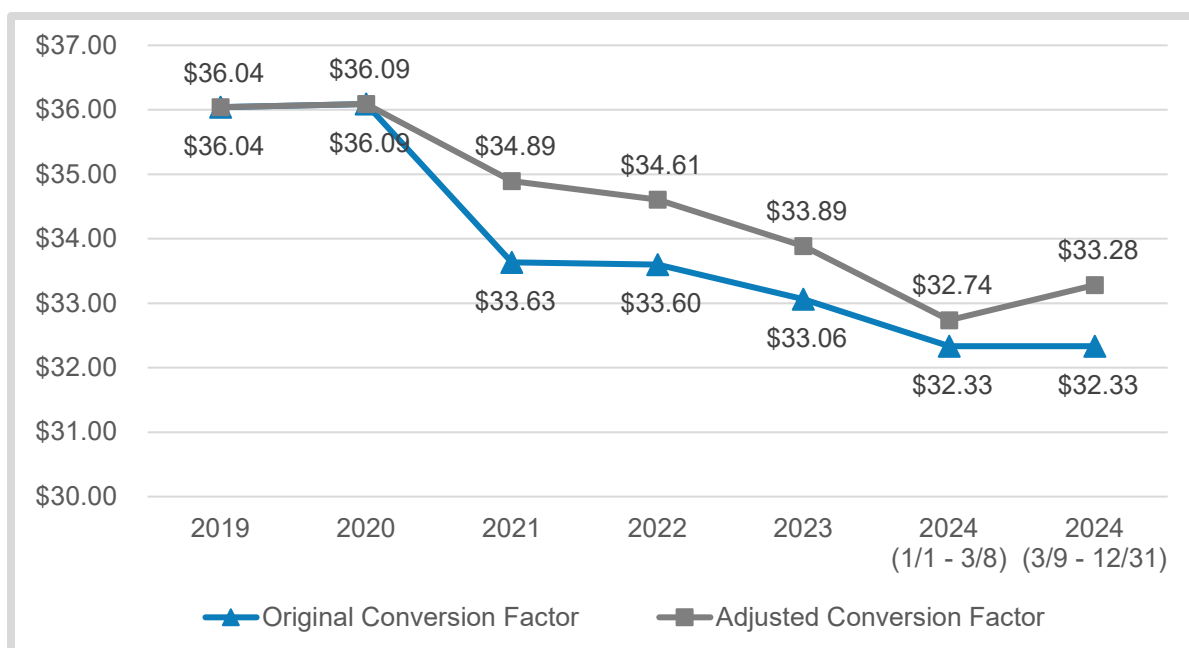
### KEY TAKEAWAYS

- *The Medicare Physician Fee Schedule conversion factor will be increased beginning March 9, 2024, but the rate remains below the 2023 amount.*
- *Disproportionate Share Hospital payment reductions have been delayed by one year, now slated to begin January 1, 2025.*
- *Incentive payments for participation in alternative payment models have been extended for one year, with a payment rate of 1.88% in 2026.*
- *Funding was provided to extend several other programs through the end of 2024.*

## Medicare Reimbursement to Physicians

Physicians have been pushing for legislative relief ever since the 2024 Medicare Physician Fee Schedule (MPFS) Final Rule was released by the Centers for Medicare and Medicaid Services (CMS) in early November. The conversion factor reflected in the MPFS resulted in a 3.4% decrease from the 2023 rate, effective January 1, 2024. This was the fourth straight year for a conversion factor decrease, even after legislative intervention, and that doesn't include the additional sequestration cut that reduces Medicare payments by an additional 2%.

The 2024 CAA does not fully restore the conversion factor to the 2023 level but does provide for the conversion factor to be increased by 2.93% over the rate otherwise calculated by CMS (before any legislative increases). This adjustment will apply to services furnished on or after March 9, 2024, and before January 1, 2025. This results in a conversion factor of \$33.28, which is a 1.7% increase over the rate that has been in effect since January 1, 2024, but still 1.8% lower than the 2023 conversion factor.



In addition to the conversion factor adjustment, the legislation also extends the Work Geographic Index Floor of 1.0 through December 31, 2024.

The 2024 CAA also extends the incentive payments for participation in eligible alternative payment models for an additional year. However, the incentive payment for 2026 will be 1.88% of the estimated aggregate payment amounts for covered professional services rather than the 5% currently in effect and the 3.5% rate that will be effective in 2025.

## Hospital Provisions

### Disproportionate Share Hospital Payments

Previous legislation required aggregate reductions in disproportionate share hospital (DSH) allotments of \$8 billion per year, starting with the period March 9, 2024, through September 30, 2024, and continuing through fiscal year 2027. The 2024 CAA delays those reductions until January 1, 2025, and they would continue through fiscal year 2027.

## Low-Volume Hospital Inpatient Payment Adjustment

The 2024 CAA extends the inpatient hospital payment adjustment for certain low-volume hospitals through December 31, 2024. This provision, which can provide up to a 25% payment increase, would have otherwise expired on September 30, 2024.

## Medicare-Dependent Hospital Program

Similarly, the legislation extends special payment provisions for Medicare-dependent, small rural hospitals to discharges through December 31, 2024. Otherwise, the program would have expired on September 30, 2024.

## Other Provisions

The 2024 CAA provides funding to extend several programs through the end of 2024 that would otherwise have expired on March 8, including community health centers and teaching health centers that operate graduate medical education programs. It also provides funding for special diabetes programs and extends the adjustment to the calculation of the hospice cap amount for one year – through 2033 rather than 2032. The legislation removes funding for a Medicare Improvement Fund that had been established to make improvements to the original Medicare fee-for-service program.

## Industry Response

As expected, physicians are disappointed that the conversion factor fix did not go further, and that it is not retroactive to the beginning of 2024. In a [statement](#), AMA President Jesse M. Ehrenfeld, MD, MPH remarked that “the need to stop the annual cycle of pay cuts and patches and enact permanent Medicare Payment reforms could not be more clear.” He went on to say that “physicians are the only providers who do not receive automatic inflation updates to their Medicare payments, and they are the only group experiencing a payment cut this year despite high inflation. Adjusted for inflation in practice costs, Medicare physician pay declined 30% from 2001.”

*JTaylor's healthcare consulting team includes experienced professionals who focus on strategy and operations for all types of providers. If you are interested in finding out how this legislation may impact your reimbursement, we can help. Our team can also support you from a strategic perspective as you determine how to respond to the financial challenges facing all healthcare providers. To find out more or to contact a member of our team, please visit our [website](#).*