

Congress Poised to Offset Medicare Physician Payment Cuts, Extend MDH and LVH Programs through end of 2024

On March 7, the U.S. House of Representatives approved a spending package that would fund parts of the federal government through the end of fiscal year 2024 (Sept. 30). Notably, the package includes an offset to Medicare physician fee-schedule cuts and an extension of the Medicare Dependent and Low Volume Hospital Adjustment programs.

Physician Payments

Under current law and regulatory policy, Medicare physician fee-schedule payments had a 3.34% reduction take effect on Jan. 1, 2024. This spending package would increase the statutory conversion factor adjustment from 1.25% —which was passed in the Consolidated Appropriations Act (CAA) of 2023 —to 2.93%, resulting in a final conversion factor cut of 1.66%. This statutory increase will only be applied for services performed from March 9 to Dec. 31, 2024. Retrospective services from Jan. 1 to March 9 will not be reconciled to the higher adjustment rate, and thus will only have the 1.25% statutory adjustment applied.

While not a full offset to the physician cuts, the additional funding will at least provide partial relief to physicians and hospitals operating under a very challenging financial picture.

Medicare Dependent and Low-Volume Hospital Adjustment Programs

The spending package also includes an extension for the Medicare Dependent Hospital (MDH) and Low Volume Hospital (LVH) adjustment programs that benefit about 17 Wisconsin “tweener” hospitals. These hospitals receive slightly enhanced payments from Medicare because they do not qualify for critical access hospital cost-based reimbursement but are also too small to have the commercial reimbursement volumes necessary to offset losses typical prospective payment system hospitals receive. The enhanced payments amount to approximately \$19 million annually for these hospitals and were set to expire on Sept. 30 but will now be extended through Dec. 31 under this legislation.

Other Health Care Provisions

In addition to these provisions, the legislation also extended funding set to expire for Community Health Centers, National Health Service Corps, and Teaching Health Centers Graduate Medical Education programs through the end of 2024. It also delayed scheduled Medicaid disproportionate share hospital (DSH) cuts for states that spend above their DSH caps (Wisconsin is not currently one of these states) through the rest of 2024.

Importantly, Congress did include site-neutral payment policies or other cuts to hospitals or health care services to pay for these programs.

The U.S. Senate is expected to pass, and President Biden is expected to sign, this legislation into law prior to the expiration of the current March 8 deadline to fund the government.

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