

# MedChi

*The Maryland State Medical Society*



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## IMPACT UPDATE

**MedChi's mission is to serve as Maryland's foremost advocate and resource for physicians, patients, and the public health.**



**From President Eric Wargotz, M.D.**

### **The Cost of Survival: Why Medicare's War on Physician Pay Threatens the Biological Right to Care**

For decades, the United States healthcare debate has been trapped in a sterile, actuarial cage. On one side, the federal government points to a sustainability gap, treating Medicare solvency as a math problem to be solved by trimming physician reimbursement. On the other side is the cold, hard reality of human biology. The fact is that our existence is not a line item, and the medical care required to sustain it should not be subject to the whims of a budgetary spreadsheet.

The current state of physician payment reform is a slow-motion collapse. Since 2001, while every other sector of the economy and



**From CEO Gene Ransom, III**

### **Is EQIP an Untapped Revenue Source for Your Practice?**

MedChi continues to play a key role in supporting Maryland's Episode Quality Improvement Program (EQIP), a statewide initiative that rewards practitioners for improving quality of care and reducing cost of care.

Launched in 2022, EQIP is an episodic incentive payment model designed for physicians and other practitioners. It supports participation in Advanced Alternative Payment Models (AAPMs) and has demonstrated strong results in its first three performance years. Most recently, EQIP generated \$62.6 million in total cost of

nearly every other Medicare provider has payment adjusted for inflation, physician reimbursement has plummeted by 33% in inflation-adjusted value. We physicians are caught in a chronic discussion that has failed to move beyond stop-gap measures, leaving both veteran doctors and new medical graduates in an untenable dilemma.

### **The Legislative Trap: A Legacy of Disparity**

The roots of this crisis are buried in the 1980s. When Medicare created its payment systems, it granted hospitals a "market basket" update. That is, an automatic Cost of Living Adjustment (COLA). Physicians, however, were shackled to the "Budget Neutrality" rule and later the "Sustainable Growth Rate" (SGR). This created an environment where a raise for a primary care doctor necessitated a cut for a surgeon. Even the 2015 fix, the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) replaced the SGR with a statutory freeze, ignoring the reality of overhead. For 2026, the government's latest maneuver, the "One Big Beautiful Bill" (OBBB) Act, offered a 2.5% increase, only for CMS to simultaneously finalize a 2.5% "efficiency adjustment" cut. This is not reform; it is a shell game played with the lives of clinicians and patients alike.

### **The Moral Case for a COLA**

The most logical and simple solution to the turmoil revolved around physician pay is the one the government has resisted for forty years. That is, a permanent COLA tied to the Medicare Economic Index (MEI). If we believe that human life has intrinsic value, we must stop placing a depreciating price on that care provided by the most educated and capable, we physicians. By denying physicians a stable, inflationary update, the government is effectively rationing care by forcing independent practices to close or sell to massive hospital conglomerates resulting in a shift that increases costs to the taxpayer through higher facility fees.

The government's primary defense for these cuts is the gap in the federal budget. Yet, this ignores the billions lost every year to Fraud, Waste, and Abuse (FWA). Estimates suggest up to \$100 billion is leaked annually through corporate upcoding in Medicare Advantage plans and administrative bloat. True reform requires the government to stop using physician pay as a blunt instrument for cost containment. Instead of perpetual cuts of our pay, the focus must shift to:

- **Site-Neutral Payments:** Ending the absurdity where Medicare pays more for a procedure just because it happens in a hospital-owned building.
- **Administrative Simplification:** Reclaiming the \$25,000 per physician spent annually on the waste of prior authorizations.
- **Clawing Back Corporate Overcharges:** Redirecting recovered fraud and upcoding penalties directly into the Physician Fee Schedule.

The sustainability gap is a choice, not an inevitability. By raising the Budget Neutrality threshold and implementing a permanent COLA, Congress can finally stabilize the bridge between medical science and the human beings who need it. We must stop asking how much we can afford to pay physicians and start asking how much we value our own biological survival. A system that values a balanced spreadsheet over a viable medical practice is a system that must be eliminated.

### **How to Fund Permanent Physician COLA Without Expanding the Federal Deficit**

There are two massive pools of capital within the system: Medicare Advantage (MA) overpayments and the recovery of Fraud, Waste, and Abuse (FWA).

#### **1. Capping and Clawing Back Medicare Advantage Overpayments**

The most significant potential funding source lies in correcting how the government pays private Medicare Advantage insurers.

care savings in Performance Year 3 (CY2024), along with \$29.1 million in incentive payments distributed to participants.

Calendar Year 2027 marks the program's sixth performance year. EQIP will offer more than 130 episodes of care, including new episodes in obstetrics and gynecology.

MedChi encourages eligible practitioners to take advantage of this opportunity by applying during the upcoming open enrollment period. Enrollment for Performance Year 6 (CY2027) will be open from June 29 through August 21, 2026.

Questions? Contact the MedChi EQIP Team at [MedChiEQIP@medchi.org](mailto:MedChiEQIP@medchi.org) or [click here for more](#).



## **"The Cost of Survival", Continued**

### **2. Reallocating Fraud, Waste, and Abuse Recoveries**

Rather than sending fraudulent dollars recovered, back into the general Treasury, proponents suggest re-investing them into the Physician Fee Schedule to stabilize the system.

- **High Return on Investment:** The Health Care Fraud and Abuse Control (HCFAC) Program has historically returned approximately \$2.80 for every \$1 spent on enforcement.
- **Massive Targeted Savings:** In late 2025, CMS estimated that cracking down on a single area of abuse, fraudulent billing for skin substitutes, could save \$19.6 billion in 2026 alone.
- **A Moral Realignment:** By redirecting these billions, the government could shift from a "pay and chase" model to one where the proceeds of combating fraud are used to protect the "biological right to care" by keeping legitimate medical practices viable.

### **Conclusion: An Integrated Fiscal Strategy**

By combining Site-Neutral Payment reform (saving billions on hospital facility fees), MA risk-adjustment audits, and aggressive FWA recovery, the government could generate a surplus that transforms physician pay from a chronic crisis into a stable, COLA-protected enterprise.

- The Overpayment Scale: For 2026, the Medicare Payment Advisory Commission (MedPAC) projected that Medicare Advantage payments will be \$76 billion (14%) higher than what traditional Medicare would have spent on the same beneficiaries.
- The Funding Potential: Capturing even a fraction of this \$76 billion excess could easily fund a permanent inflationary update for physicians. Critics argue these funds are currently diverted to insurance company profits rather than patient care.
- Current Reform Efforts: CMS has already begun phased-in risk adjustment models to reduce coding intensity, which is a practice where insurers make patients look sicker on paper to get higher payments.

### Summary of Funding Sources for a COLA Model

Source Category	Estimated 2026 Savings/Impact	Key Target for Reform
Medicare Advantage Overpayments	~\$76 billion (Projected Overpayment)	Coding intensity & upcoding
Skin Substitute Waste	\$19.6 billion	Medically unnecessary supplies
Improper Payment Correction	~\$52.5 billion (Combined FFS/MA)	Documentation & billing errors
Criminal Fraud Recoveries	~\$16.6 billion (Annual Trend)	Ghost billing & kickbacks

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