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Physician Payment Issues-Opportunities for Reform:

- Medicare payment; RBRVS and the RUC
- Prior authorization by payors

The Princeton Conference
Babson Conference Center
November 6, 2025

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How Physicians Are Paid in Medicare, Part B Influences the Shortage of Primary Care Physicians

- Medicare pays primary care physicians less than physicians who perform procedures, e.g., a surgery
- Commercial health plans copy Medicare
- Income is not the only issue here, of course. Primary care practice is increasingly difficult
- But medical students, often in debt, know they are “leaving money on the table” if they choose primary care as a career

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"Congratulation on your medical degree, son ... you owe me $300,000 for school loans."

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Annual Forgone Income for Primary Care vs. Select Specialties*

- **Orthopedist: $347,765**
- **Invasive cardiologist: $258,269**
- **Gastroenterologist: $245,091**

*2025 data-average of three independent surveys

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How Physicians Are Paid Under Medicare, Part B

The Resource-based Relative Value Scale (RBRVS)

- **Introduced in 1992 following a report by William Hsiao, PhD (Harvard School of Public Health)**
- **Future physician payments should be based on the relative value of the input costs, i.e., the resources required to perform each service**
- **Prior to this, payments were based on billed charges**
- **There would be a different payment code for each physician service**
- **Differentiated between "cognitive services"- evaluation and management (E+M) codes and procedure codes, e.g. a surgery**

https://www.ama-assn.org/system/files/development-of-the-resource-based-relative-value-scale.pdf

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The Role of The RUC

- **Medicare (CMS) contracts with the American Medical Association (AMA) to recommend a relative value for each physician service, called a Relative Value Unit (RVU)**
- **This work is implemented by the AMA/Specialty Society Relative Value Scale Update Committee (the RUC).**
- **RVUs are transmitted to CMS as five-digit CPT* codes**

*Common Procedural Terminology

https://www.ama-assn.org/system/files/ruc-update-booklet.pdf

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RVU Calculation

The resources required to provide a service is divided into three components:

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The Components of Physician Work

Technical skill and physical effort

Mental effort and judgment

Time to perform service

Psychological stress

Data is collected by national medical specialty societies using a standardized survey process.

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The Components of Practice Expense

Clinical staff

(Nurse, X-Ray Technician, etc.)

Medical supplies

(Gloves, Syringes, etc.)

Medical equipment

(Exam Table, CT Scanner, etc.)

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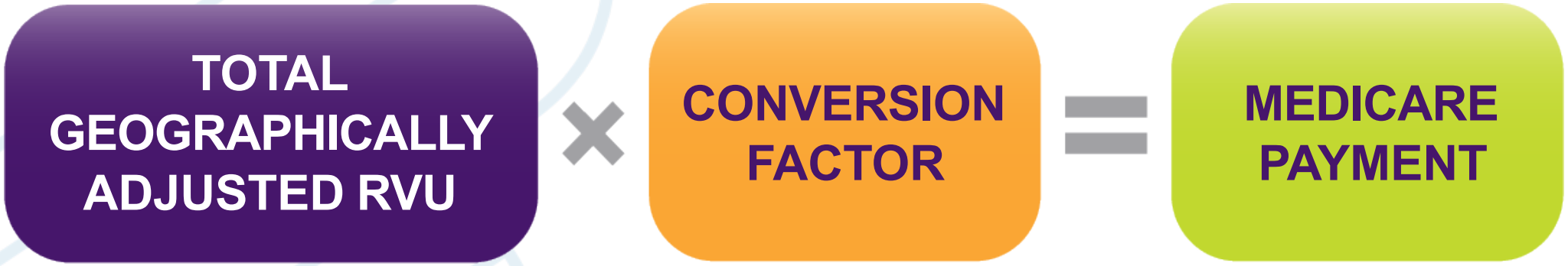
CMS Calculates the Final Payment

The conversion factor (CF) is an RVU payment multiplier determined by Medicare each year based on budgetary constraints. The CF for 2025 = $32.3465



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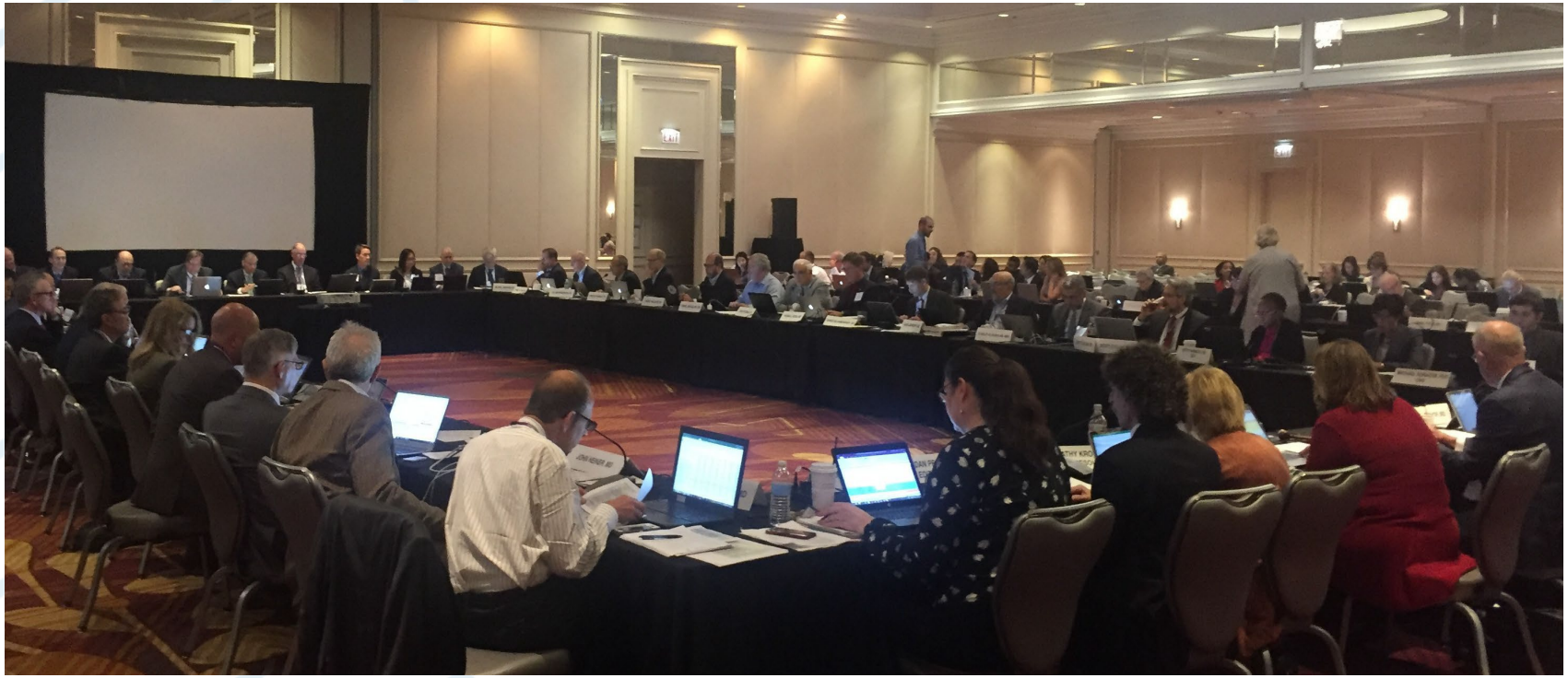
RUC MEETING



AMA recommends RVU-based CPT codes to CMS based on surveys of physicians and specialty societies and debate among specialties at triannual RUC meetings

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The Pros of the RBRVS and AMA/RUC process

- It is probably an improvement over paying billed charges
- It is a zero-sum, budget neutral process- CMS lowers the conversion factor if AMA total recommended annual payment increase is >$20M
- CMS is not required to accept the RUC recommendations- and often does not
- The relative valuation process is exceedingly complex and would be difficult to replicate or replace

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The Cons of the RBRVS and AMA/RUC process

- The RUC surveys have a very low return rate; creating concerns about accuracy
- The survey returns could be biased, based on self-interest
- Productivity improvements (e.g., time and complexity) must be frequently updated
- E+M services become passively devalued over time due to frequent new procedure codes, in the context of budget neutrality
- This has led to financial devaluation of primary care services over time

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