**Issue Brief**

**Issue: Waive Budget Neutrality for Medicare E/M Services**

**CAP Position:** Due to the ongoing public health emergency related to the COVID-19 pandemic, it is especially important Congress take steps to mitigate the Centers for Medicare and Medicaid Services (CMS) looming 2021 payment reductions to all non-evaluation and management (E/M) services by waiving budget neutrality for the Medicare payment increases to E/M services. Without intervention, pathologists will see an 8% payment cut in all pathology Medicare services in order to fund the increase in payment for E/M services. With claim submissions effected by this policy beginning January 1, 2021, the ongoing recovery at that time will only magnify the pressure pathology practices already face on top of radical shifts to major financial dislocations due to the current pandemic.

**Background:** Pathologists are physicians who specialize in the diagnosis of disease. The expertise they provide drives treatment decisions that optimize outcomes for patients. They play an integral role in the diagnosis of diseases such as cancer (breast, prostate, cervical, leukemia, kidney), hepatitis, cirrhosis, and the novel coronavirus (COVID-19). Indeed, the current pandemic has brought to the forefront the vital role of pathologists and the value that they bring to medicine. Pathologists are integrally involved in direct mitigation of the COVID-19 crisis including testing for accurate and timely diagnosis, as well as work on potential cures. Now more than ever patients and their treating physicians are relying on the expertise of pathologists. Pathologists and the services they provide, including ensuring laboratory quality in communities across the United States, are at the foundation of our health care system. We cannot allow this foundation to erode any further.

The changes to E/M payment and coding, finalized in November 2019, will have a significant impact on pathology. The 2021 implementation of the CMS’ E/M office visit changes will greatly benefit some physicians but penalize those who rarely bill for E/M services, including pathologists. Due to budget neutrality requirements, pathologists and other hospital-based physicians will face large payment reductions to offset the costs to those physicians who deliver more office visit-based services (eg endocrinologists, rheumatologists, and family practice). Specifically, the current budget neutrality adjustments from CMS’ recently finalized E/M policy valuation policies will redistribute $7 billion from several medical specialties to a subset of cognitive and primary care physicians, and result in an 8% reduction in Medicare physician payments to pathologists.

Of great concern is the impact that this redistribution will have on access to specialty services, like pathology, especially for beneficiaries in rural and underserved areas. These changes coupled with the ongoing COVID-19 pandemic, will have negative financial implications for pathologists in the foreseeable future that necessitate waiving budget neutrality to sustain and enhance patient care. Therefore, we respectfully urge Congress to waive the budget neutrality requirements stipulated in Section 1848(c)(2) of the Social Security Act for the finalized E/M CPT code proposal. This much-needed action by Congress will provide a critical reprieve for pathologists and other physicians facing substantial payment reductions in the coming months.