



## Assessing the CY 2023 Medicare PFS Impact on Multi-Specialty Group Practices

The Centers for Medicare and Medicaid Services (CMS) released the calendar year (CY) 2023 Medicare Physician Fee Schedule (MPFS) Final Rule on November 1, 2022. The final rule continues a recent trend of negative conversion factor (-4.47%) updates, reflecting a statutory 0% payment update, the expiration of a temporary 3% positive adjustment authorized by Congress for CY 2022, and a statutorily required budget neutrality adjustment for other finalized policy changes. The latter include the reevaluation of remaining evaluation and management CPT codes and the continuation of the four-year phase-in period for clinical labor pricing updates.

CMS's analysis in the rule focuses on the impact to specific physician specialties, and shows that the changes to relative value units (RVUs) alone would range from -3% to 7%. For multi-specialty group practices, however, the impact to a single specialty may not be useful for assessing the final rule's impact on their practice or budgeting for the coming year. To better assist such practices, this article analyzes the estimated impact of the MPFS CY 2023 final rule on multi-specialty group practices nationwide. Any effort by Congress to address the conversion factor cuts could impact the data included here, but the analysis would still demonstrate the variation based on size and not just specialty alone.

### By the Numbers: Physician Group Practices Paid Under MPFS

Using the 2021 Medicare Carrier file, which includes a 5% sample of fee-for-service claims submitted by professional providers, we identified about 600,000 unique physicians who billed for services paid under the MPFS. Of these physicians, 72% were identified as members of a physician group practice. Physicians were identified based on specialty codes whose corresponding taxonomy grouping is Allopathic & Osteopathic Physicians. Following the methodological approach used in previously published work<sup>1,2</sup>, physicians were considered part of a group practice if they had at least one claim billed under a group billing identifier. Our criteria for considering an entity a physician group practice were as follows:

- A group practice must have at least three physicians based on a common definition of physician group practice.<sup>3</sup>
- The entity must be categorized as a "Part B supplier – clinic/group practice" in the Medicare Fee-For-Service Public Enrollment data.

As shown in Table 1, 55% of Medicare billing physicians are part of a multi-specialty physician group practice, defined as having more than one unique specialty. By size, 36% of physicians belong to a large multi-specialty group practice (at least 50 physicians), 14% belong to a

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<sup>1</sup> LC Baker, MK Bundorf, *et al.* Physician Practice Competition and Prices Paid by Private Insurers for Office Visits. JAMA. 2014;312(16):1653-1662.

<sup>2</sup> HH Pham, D Schrag, *et al.* Care patterns in Medicare and their implications for pay for performance. N Engl J Med. 2007;356(11):1130-1139.

<sup>3</sup> B Kash and D Tan. Physician Group Practice Trends: A Comprehensive Review. J Hosp Med Manag. 2016: Vol.2, No.1:3.



medium multi-specialty group practice (10 to 49 physicians), and 5% belong to a small multi-specialty group practice (three to nine physicians). This group size classification follows recommendations by Kash and Tan based on their review of literature <sup>4</sup>.

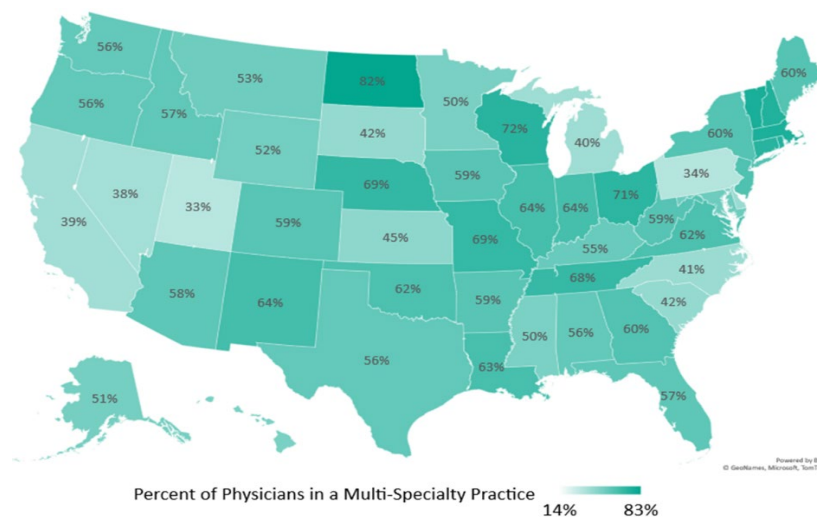
*Table 1. Percentage of Medicare Billing Physicians in Large, Medium and Small Group Practices, 2021*

Size Category	Number of Groups	Number of Physicians*	Percent of Physicians
Large multi-specialty (50+ physicians)	1,572	261,641	36%
Large single-specialty (50+ physicians)	105	7,591	1%
Medium multi-specialty (10-49 physicians)	4,799	100,443	14%
Medium single-specialty (10-49 physicians)	2,214	41,241	6%
Small multi-specialty (3-9 physicians)	7,122	36,045	5%
Small single-specialty (3-9 physicians)	9,602	44,229	6%
Total group practice	<b>25,414</b>	<b>491,190</b>	<b>68%</b>
Physicians not part of a group		<b>229,219</b>	<b>32%</b>
<b>Total</b>		<b>720,409</b>	<b>100%</b>

\* Total physician count includes duplicates since an individual physician could work for multiple group practices.

There are geographic differences among group practices across the United States. The share of Medicare billing physicians practicing in a multi-specialty group practice ranges from 14% in Puerto Rico and 33% in Utah at the lower end of spectrum, to 83% in the District of Columbia and 82% in North Dakota at the higher end.

*Figure 1. Distribution of Medicare Billing Physicians in a Multi-Specialty Group Practice by State, 2021*



<sup>4</sup> B Kash and D Tan. Physician Group Practice Trends: A Comprehensive Review. J Hosp Med Manag. 2016; Vol.2, No.1:3.



## The CY 2023 MPFS Final Rule's Impact on Physician Group Practices

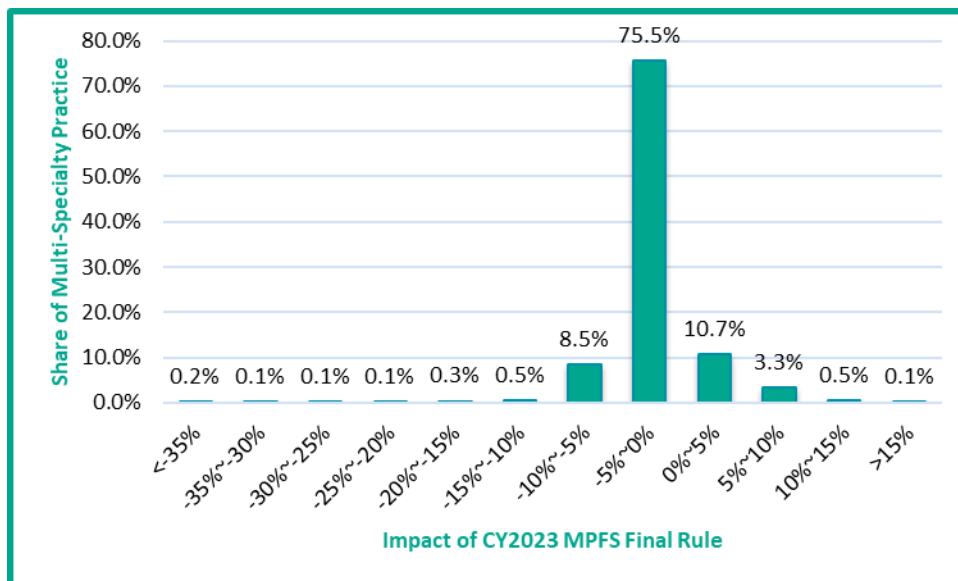
For most group practices, the impact of the policies finalized in the CY 2023 MPFS rule is close to -3%, which reflects the discontinuation of the 3% temporary positive payment update authorized by Congress for CY 2022. Table 2 shows the average payment impact on physician group practice by size category. The impact assessment includes services provided by non-physician providers and other payment updates (e.g., Geographic Practice Cost Index and conversion factor) in addition to RVU updates. To the extent that there are year-to-year changes in the volume and mix of services provided by practitioners, the actual impact on total Medicare revenues will be different from those shown in Table 2. The estimated impact is based on allowed charges, representing estimated MPFS payments for group practices based on CY 2021 utilization and CY 2022 rates, including beneficiary coinsurance and deductibles. Our estimate of CY 2022 allowed charges, which serves as the comparison baseline to estimate CY 2023 impact, factors in various payment adjustments, including multiple procedure payment reduction, Outpatient Prospective Payment System cap and reduced reimbursement rates for certain clinicians. The impact assessment does not include sequestration or PAYGO cuts.

*Table 2. CY 2023 MPFS Estimated Impact on Total Allowed Charges by Physician Group Practices*

Size Category	Allowed Charges (Billion)	Average Impact
Large multi-specialty (50+ physicians)	\$24.2	-2.9%
Large single-specialty (50+ physicians)	\$0.6	-5.2%
Medium multi-specialty (10-49 physicians)	\$12.5	-2.6%
Medium single-specialty (10-49 physicians)	\$4.2	-4.0%
Small multi-specialty (3-9 physicians)	\$6.2	-2.9%
Small single-specialty (3-9 physicians)	\$7.7	-3.5%
Physicians not part of a group	\$37.3	-3.2%

The CY 2023 impact varies at the individual group practice level. Among multi-specialty group practices, 86% have an estimated impact between -5% and 5%, while 10% expect to see more than 5% loss of Medicare revenue compared to CY 2022, and 4% expect to see more than a 5% gain. Figure 2 shows the distribution of MPFS impact among multi-specialty physician group practices.

*Figure 2. Distribution of MPFS Estimated Impact on Total Allowed Charges Among Multi-Specialty Physician Group Practices*



## Conclusion

The majority of multi-specialty physician practices should budget for a revenue loss in 2023 from Medicare paid services (not factoring in changes to volume and mix of services). In addition to the update to the conversion factor, multi-specialty physician group practices should also take into account differential impacts by provider specialty and other payment factors when budgeting for 2023 to ensure more accurate revenue forecasting and prevent financial shortfalls.