Reimbursement for Medical Services

Why is this a problem and how does it affect you?

Howard Baron, MD, FAAP

Past-President, Clark County Medical Society

Secretary, Nevada State Medical Association

Medicaid Roles

- **Health Care Coverage:**
  - **children and adults in low-income families**
  - **elderly and persons with disabilities**
  - **In states that have chosen ACA expansion low income childless adults (January 2014)**
- **Assistance to Medicare beneficiaries (premiums, co-pay and deductible coverage)**
- **Long-Term Care:**
  - **Institutional and community based**
- **Support for Health Care System and Safety-net**

Medicaid – Unique by State

- Medicaid programs vary State to State.
- A person eligible in one State may not be eligible in another State.
- Services provided by one State may differ considerably in amount, duration, or scope from services provided in a similar or neighboring State.
- State legislatures may change Medicaid eligibility, services, and/or reimbursement during the year.
- Nevada Medicaid has been expanded to low-income adults who are 138% of the federal poverty line

Physician Reimbursement

- Largely dependent on third party reimbursement after the fact for services already rendered (grocery store analogy).
- Third party payers contract for reduced rates, in exchange for allowing a panel of patients access to physicians/groups/facilities.
- Most contracts from third party payers are now based on a percent of Medicare (Federally controlled) allowable reimbursement for any given service.
- Rates of Medicare reimbursement have not been adjusted since 2002, including no COLA.
- Most services cost more to provide than a typical rate of Medicare reimbursement.

Physician Reimbursement

- Third party payment used to be significantly higher than Medicare allowable rates, thus making up for the deficit incurred when caring for Medicare patients.
- Medicaid (state administered) in Nevada typically pays 50-90% of Medicare allowable rates.
- The fastest growing population since the ACA was enacted is our Nevada Medicaid population.

Physician Reimbursement

- As of June 2016, Nevada has enrolled **608,960** individuals in Medicaid and CHIP — a net increase of 83.11% since the first Marketplace Open Enrollment Period and related Medicaid program changes in October 2013.
- Nevada ranks 47th-51st in almost all major categories of specialists and primary care physicians.
- Thus, typical supply and demand economics would suggest that Nevada should be a great place to practice, because of our short supply of physicians and our oversupply of patients in need of care.
- That's not how it works!

Payer Mix Determines Practice Viability

- Physicians have to control patient flow of poorly reimbursing contracts.
- This leads to long wait times, less access to care, shorter contact times between patients and physicians, use of less expensive mid-level providers, more referrals to specialists, more ER visits, more dollars spent on medical care, more absenteeism from work.
- Arguably, more educated consumers look at availability of high-quality medical care when choosing a place to live and work.

Medicaid Proposed Reimbursement Changes

- Until 2015, state rates of Medicaid reimbursement had not been adjusted and stood at Medicare 2002 rates.
- Decision unit E277 in the Division of Health Care Financing and Policy (DHCFP) budget proposes Medicaid rate adjustments for physicians, PAs and APRNs. Testimony indicated the Governor was proposing an overall rate increase of 10 percent for Medicaid (State Budget Account 3243).

Medicaid Rate Changes

- Testimony further explained that the rate increase involved changing the Medicaid reimbursement rate which is presently based on 2002 Medicare relative value units (RVUs). The budget proposed keying Medicaid rates to 2014 Medicare RVUs. Administrators explained this would make some rates go up and others go down

Projected reimbursement rate changes across specialties

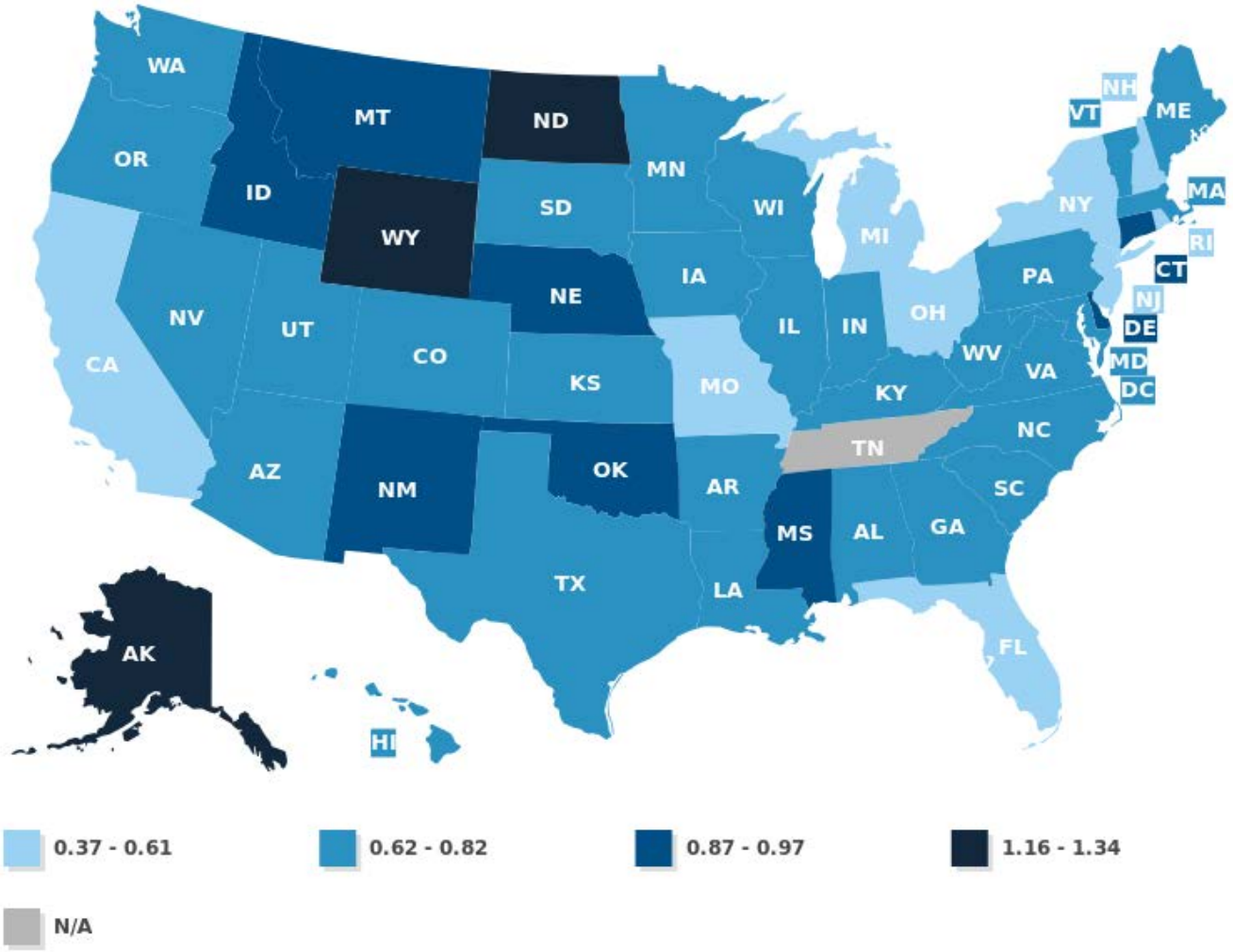
Comparison of current base rate methodology to proposed methodology for Physicians (PT20). PA (PT77) and APRN (PT24) pay at a lower percentage of Medicare's rate.

Services	Current Reimbursement for Base Rates % of 2002 Medicare Rates	SFY 2016 Proposal	SFY 2017 Proposal
		% of 2014 Medicare Rates	% of 2014 Medicare Rates
Surgery	100%	95%	95%
Obstetrics	128%	95%	95%
Radiology	100%	90%	94%
Laboratory	50%	50%	50%
Vaccine	Fixed Rate	85%	85%
Medicine	85%	85%	85%
E&M	85%	90%	95%

Medicaid Rate Changes

- Specifically the DHCFP staff testified to primary care providers (PCPs), who were being paid $44 per office visit in previous biennia but in the most recent biennium were paid $75 under the PCP bump. Though the PCP bump goes away, under the new formula PCPs would receive 90% of the Medicare RVU or $67 for an office visit in state fiscal year 2015-2016 and 95% of the Medicare RVU or $71 for an office visit in state fiscal year 2016-2017.

State by state Medicaid rates as a percentage of Medicare allowable rates



The FY 2016-17 INCREASE

- Ultimately, the budget for FY2016-2017 did include a 10% aggregate increase rate adjustment for physicians and other providers in an effort to bring this up to 2014 Medicare rates. The aggregate means that different specialties appreciated different rates of increase, level rates, or even some decreases. This increase was also offset by the expiration of the Primary Care Providers supplement that expired in June 2015.

Why should you care?

- Poor reimbursement causes
  - Lack of physicians settling in Nevada, even if they train here
  - Lack of access to needed care
  - More people traveling elsewhere for medical care
  - Loss of other qualified professionals who choose to settle elsewhere
  - Loss of business revenue

What can we do?

- Physicians cannot share proprietary contract rates for fear of antitrust and loss of contracts

  Physicians cannot lead the charge publicly for better pay-not a very sympathetic cause to the public; as lay leaders, you can:

- Lobby for changes in laws that currently protect payers only
- Lobby for adjustment in Medicaid reimbursement rates that reflect those of other underserved states
- Work with industry to recognize the need to make Nevada a more attractive place for physicians to practice