



**Statement of the  
Ohio State Medical Association  
to the House Finance Committee**

**2016-2017 Executive Budget Proposal / HB 64 - Medicaid Physician Reimbursement**

**Presented by Tim Maglione, JD  
Senior Director, Government Relations**

**March 25, 2015**

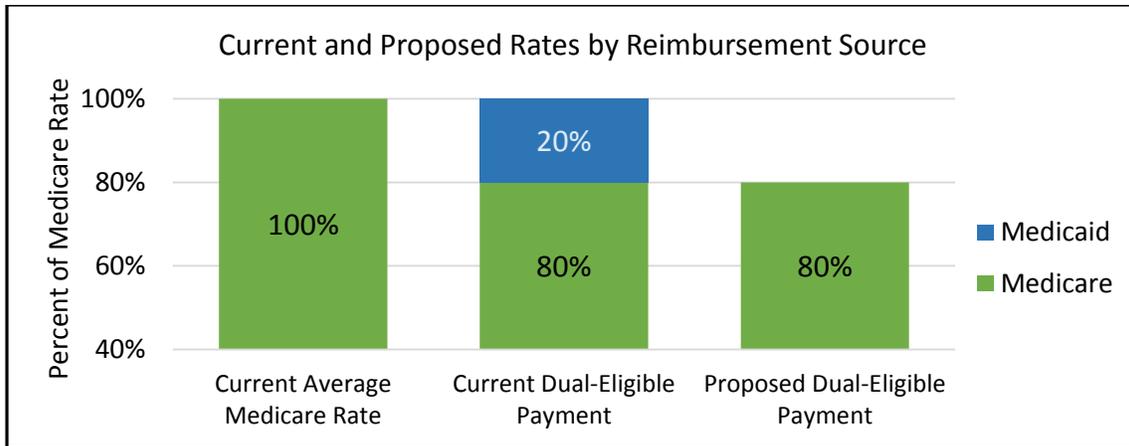
Chair Smith, Vice-Chair Schuring, Ranking Member Driehaus, and members of the House Finance Committee: My name is Tim Maglione, and I am the Senior Director of Government Relations at the Ohio State Medical Association (OSMA). On behalf of our 20,000 physicians, residents, fellows, and medical students, I am here to talk about the physician reimbursement provisions of the Medicaid budget. I hope to provide you with clarification about how these proposals would work, to explain why these proposals could have a negative impact on Medicaid and dual-eligible patients' access to high-quality care, and to suggest ways in which you could improve upon the proposed changes.

The Executive Budget Proposal, as outlined in the Office of Health Transformation's [White Paper](#) on Reforming Physician Payments, suggests there are planned increases in physician Medicaid reimbursement rates equal to \$156 million over the next biennium. To be sure, the OSMA is very supportive of increasing Medicaid reimbursement rates for physician services – in fact, we strongly believe the rates should be enhanced beyond what was proposed in the Executive Budget. However, we have very serious concerns with the proposed method used to “pay for” these increases.

Let me be clear: **the proposal before you to modestly increase Medicaid primary care *physician* reimbursement rates is paid for by decreasing other Medicaid *physician* reimbursement rates and by cutting funds for *physician* training (graduate medical education).** Overall, the net impact of the executive budget on physicians is essentially zero, not a \$156 million increase.

The first part of proposed reforms would cut Medicaid reimbursement to physicians treating “dual-eligible” patients and cut funds for physician residency training.

Dual-eligible patients – most of whom are elderly or disabled with very low incomes – are enrolled in both the Medicare and Medicaid programs. When these patients receive care from a physician, Medicare pays 80% of the claim and Medicaid pays a 20% co-pay. The budget proposal would eliminate Medicaid's co-pay to physicians when they deliver care to these dual-eligible patients. The following chart demonstrates how the proposed cuts would compare with current payment rates:



The budget proposes to shift the so-called “savings” from this 20% cut toward a slight increase in traditional Medicaid’s reimbursement rates for a small subset of primary care services. On a macro level, this is problematic because it uses a physician rate cut to pay for a physician rate gain. On a micro level, this proposal is troubling because of its potential to harm physicians and their patients.

Think about dual-eligible patients – they actually get a significant amount of their care from primary care physicians. Under this proposal, these primary care physicians would experience a 20% rate cut when providing care to dual-eligible patients, and then these very same physicians would make up for some or all of the losses through slightly increased traditional Medicaid rates. At best, some physicians could see a small gain. At worst, this budgetary shift could actually take funds away from primary care practices. Specialty physicians would not receive any relief from the 20% cut, so this proposal would undoubtedly result in significant losses for their practices.

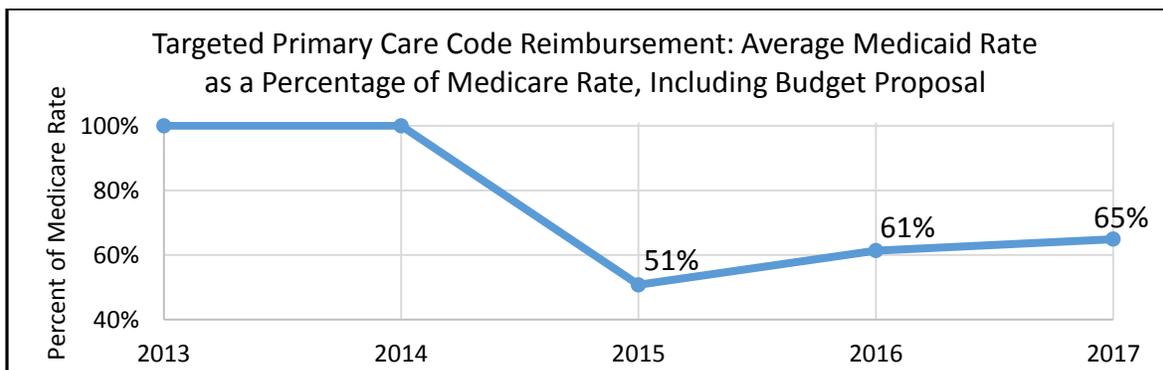
**Why do these proposed cuts matter? Because they are likely to affect access to care for dual-eligible patients.**

The proposed 20% cut to dual-eligible payments is no small matter to physicians – many of whom own small businesses. After the executive budget proposal was released, the OSMA asked our members to determine how the dual-eligible cuts might affect their practices and their patients. Based upon their feedback, we believe physicians across the state might be forced to significantly limit the number of dual-eligible patients they see if the proposed cuts are realized. If the reimbursement changes go into effect, patients with dual eligibility could have trouble accessing care, just as [patients with traditional Medicaid already do](#).

We know that low physician reimbursement rates are a [main driver of access problems](#) for patients with traditional Medicaid, and we believe that decreasing reimbursement could create similar access problems for patients with dual-eligibility. Therefore, we are asking this committee to restore the dual eligible cuts.

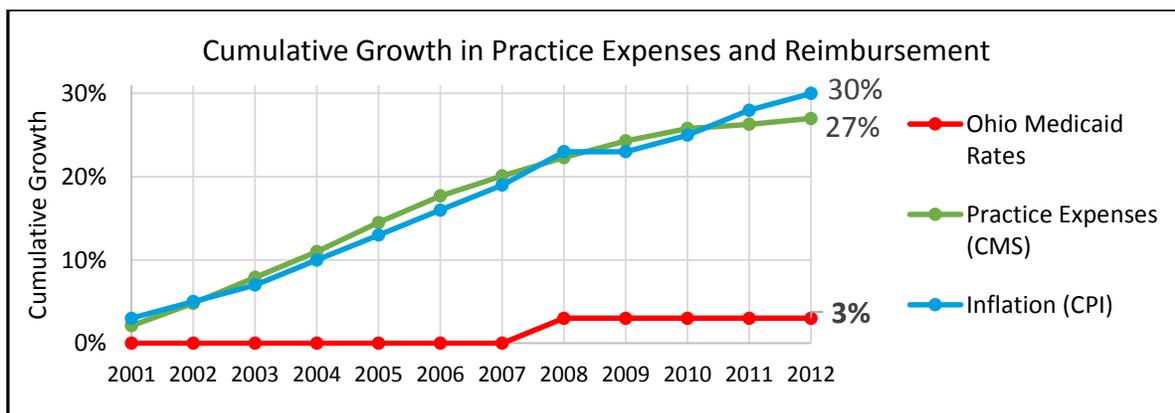
Furthermore, we recommend eliminating the budget’s proposed cuts to graduate medical education. Since Ohio already faces a shortage of physicians, we urge you to continue our state’s commitment to funding physician training.

I'd like to move on to the second part of the physician reimbursement equation: the primary care rate gains. As previously mentioned, the cuts to dual-eligible payments and graduate medical education would be used to increase Medicaid rates for select primary care services. Specifically, the proposal would raise reimbursement rates for 33 select services. For these services, the average payment rates would rise from 51% of Medicare levels to 65% of Medicare levels over two years.



Again, the OSMA is very supportive of raising Medicaid's reimbursement rates for physicians. Our members greatly appreciate the Executive Budget's desire to increase Medicaid rates for primary care. Still, we must voice our concern and tell this committee that the proposed increases are simply not enough. If the proposal goes into effect, physicians billing for these 33 services would still be paid 35% less for seeing a Medicaid patient than for seeing a Medicare patient. Frankly, this is untenable in the long run.

It's no secret that Ohio's physicians have disproportionately borne the brunt of stagnating Medicaid reimbursement for the last 10-20 years. In fact, Medicaid reimbursement for physician services in our state actually declined as a percent of Medicare over the past ten years while other health care providers made gains. According to historical records, the last meaningful reimbursement increase for physicians was in 2000 – fifteen years ago. During the same time period, the costs of running a practice [increased by 27%](#).



This historical pattern has already forced some providers stop taking new and existing Medicaid patients, and we believe that more are likely to leave the Medicaid system if rates do not substantially improve. If even fewer providers accept Medicaid payment, patients will have greater trouble accessing care.

Fortunately, we know how to fix this type of access problem: we have [proof](#) that improving Medicaid's physician reimbursement rates can actually improve access to care for patients.

In 2013 and 2014, a federal program raised primary care reimbursement rates to full Medicare levels for physicians who delivered services to Medicaid patients. Last year, the OSMA conducted a [study](#) to determine how this Primary Care Rate Increase, or PCRI, affected physicians and their patients in Ohio.

The results of our study provide a very strong case for increasing reimbursement to Medicare levels. In 2013 and 2014, primary care physicians in Ohio who already accepted Medicaid patients began accepting *more* Medicaid patients because of the rate increase, and some providers who didn't accept Medicaid payment prior to the rate increase began to see Medicaid patients.

Our study also showed that better rates can improve quality of care for patients with Medicaid. Providers told us they used PCRI funds to set up interdisciplinary provider teams for their patients, and that if funds continued, they would be able to do even more care coordination. This is the model Ohio patients need – this is exactly the type of care we strive for in our efforts to enhance patient-centered medical homes. This is the type of care that actually saves money down the line by preventing and treating chronic disease and by avoiding costly hospitalizations.

Since we know better rates improve access and we believe investing in physician care can actually save the system money in the long run, we are asking this committee to raise Medicaid reimbursement rates for the 33 select services to full Medicare levels.

We recommend using new revenue from the budget's proposed tobacco tax increases to fund our suggested physician rate increase. Since 51% of Medicaid enrollees use tobacco, and since the Medicaid program already spends \$1.67 billion to treat sick smokers each year, the tobacco tax revenue would be well-spent to improve primary care and prevention efforts within the Medicaid system. Investing in this type of care could produce great future savings for the state.

I'd like to close by saying that we all know the real victims of cuts to dual-eligible reimbursement will be Medicare beneficiaries who will potentially wait longer to be treated and who might have a limited choice of physicians and services. We also know that continuing to reimburse Ohio physicians who see Medicaid patients at a fraction of Medicare rates will almost certainly guarantee that new and existing Medicaid patients will be denied access to care. We believe without further increases, more Medicaid and dual-eligible patients will end up in our emergency rooms and nursing homes. We must recognize that investing in high quality, cost-efficient physician services, including care coordination and prevention, will result in long-term cost savings to the Medicaid program. We hope you will consider this investment as you contemplate the Medicaid budget.

Thank you for the opportunity to testify today, I would be happy to answer any questions you may have.