Why South Dakota Must Save the Medicaid Primary Care Pay Parity Program:

Unless the State Takes Action, Access to Life-Saving Primary Care Could Be Undermined

A Report from the South Dakota Chapter of the American College of Physicians

What is the Medicaid Primary Care Pay Parity program?

The Medicaid Primary Care Pay Parity program (Pay Parity) was established by law to make it possible for more primary care physicians to treat Medicaid enrollees, by paying them no less than what Medicare pays. Primary care physicians in the specialties of family medicine, pediatrics, and internal medicine and related internal medicine and pediatric subspecialists were eligible to participate. Unfortunately, that federal program expired at the end of 2014. By taking action to extend this program, South Dakota’s legislature can ensure that access is protected for our state’s most vulnerable citizens.

Why is Pay Parity necessary?

More than 65 million Americans are enrolled in Medicaid and the program continues to grow. From September 2013 to April 2014, South Dakota’s Medicaid enrollment increased by 0.7%. As Medicaid enrollment increases, it is imperative that policymakers do what is necessary to ensure that our most vulnerable patients—over 116,000 South Dakotans enrolled in Medicaid—can receive the health care they need from the physicians they know and trust.

Unfortunately, having health insurance by itself doesn’t mean one can access health care in a timely manner. The Medicaid program has long-struggled to attract participating physicians, making it difficult for low-income children, parents, qualifying adults, and elderly Medicaid enrollees to find a doctor. Well-established research has cited low Medicaid payment as a major reason physicians are reluctant to participate in the program. Those that do treat Medicaid patients often incur a financial loss because the reimbursement rates are well below the actual cost of providing care. Prior to the implementation of the Medicaid Pay Parity program, the payment for primary care services in South Dakota was 69% of Medicare rates, and 13.5% of our state’s primary care physicians stated they did not currently accept new Medicaid patients. Early evidence shows that the pay parity program is having its intended impact. A study released in January 2015 found that appointment availability for Medicaid-participating primary care providers increased by 7.7% during the period that pay parity was in effect, demonstrating that higher reimbursements are related to improved access for Medicaid patients. Further growth in Medicaid enrollment will exacerbate the need for primary care physicians. This program protects patient access by ensuring that physicians receive Medicare-level reimbursement rates for providing primary care services and vaccinations to patients enrolled in Medicaid.
How will patient access be affected if Pay Parity is not extended?

If South Dakota fails to take action to extend this vital program, physician participation will be undermined, and patients will face barriers in accessing primary care. An April 2014 ACP member survey found that of the respondents who indicated they had enrolled in the Pay Parity program via their State Medicaid program, 46% would accept fewer Medicaid patients in 2015 (40%) or drop out of Medicaid entirely in 2015 (6%) if the program expires on December 31, 2014. Georgia’s primary care physicians now face a pay cut of 30 cents on the dollar for providing primary care services such as office visits for the treatment of chronic diseases like high blood pressure and diabetes.

Why do we need to encourage primary care physicians to participate in Medicaid?

Over 100 studies show that patient access to primary care is positively associated with lower costs and better outcomes.\(^i\) It stands to reason, then, that health care costs in South Dakota will increase, and outcomes will be poorer, if the Medicaid Pay Parity program is discontinued. For instance, patients enrolled in Medicaid may seek care in an emergency room if they do not have a primary care physician.

The American College of Physicians strongly supports an extension of the Medicaid Primary Care Pay Parity program. Physicians now face major reimbursement cuts that may force them to reconsider the viability of participating in the Medicaid program. The Pay Parity program is a step in the right direction toward ensuring that no Medicaid patient goes without crucial primary care services and vaccines.

The American College of Physicians is the largest medical specialty organization and the second-largest physician group in the United States. ACP members include 141,000 internal medicine physicians (internists), related subspecialists, and medical students. Internal medicine physicians are specialists who apply scientific knowledge and clinical expertise to the diagnosis, treatment, and compassionate care of adults across the spectrum from health to complex illness. The South Dakota Chapter of the American College of Physicians represents 468 internal medicine physicians.

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American College of Physicians. How Is a Shortage of Primary Care Physicians Affecting the Quality and Cost of Medical Care?. Philadelphia: American College of Physicians; 2008: White Paper.