



**Statement of the  
Ohio State Medical Association  
to the House Finance Subcommittee on Health and Human Services**

**2016-2017 Executive Budget Proposal - Medicaid Physician Reimbursement**

**Presented by Tim Maglione, JD  
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Chair Sprague, Ranking Member Sykes, and members of the House Finance Subcommittee on Health and Human Services: 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 testify today on 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.

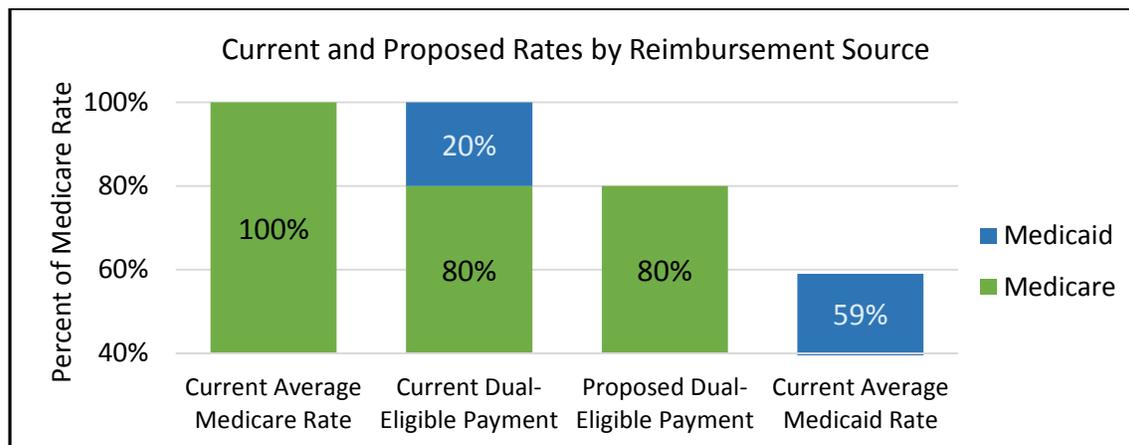
The Executive Budget Proposal, as outlined in the Office of Health Transformation's [White Paper](#) on Reforming Physician Payments, suggests there are planned increases in physician Medicaid reimbursement rates equal to \$156 million over the next biennium. To be sure, the OSMA is very supportive of 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 primary care reimbursement rates is paid for by decreasing other *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.

I'd like to explain this further: the proposed reforms would cut Medicaid reimbursement to physicians treating “dual-eligible” patients in order to pay for a slight increase in reimbursement to physicians treating “traditional” Medicaid patients. Essentially, a physician rate cut would pay for a physician rate gain.

Dual-eligible patients – most of whom are elderly with very low income – receive both Medicare and Medicaid benefits. Since these patients seek a majority of their care from primary care physicians, a large portion of the proposed cuts would come at the expense of primary care providers. Some of these losses would be offset by the proposed increases to traditional Medicaid rates, but all-in-all, this proposal is likely to decrease, rather than increase, total Medicaid reimbursement for some primary care physicians. The proposal would undoubtedly result in significant reimbursement cuts for specialty physicians. The following chart

demonstrates how the proposed cuts to dual-eligible payments would compare with current payment rates:



After the executive budget proposal was released, the OSMA asked our members to determine how the proposed 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 low physician reimbursement rates are a [main driver of access problems](#) for patients with traditional Medicaid, and this problem is likely to grow with increasing demand for care. Fortunately, we also know how to fix this problem – we have [proof](#) that better physician reimbursement rates really do improve access to care for Medicaid patients.

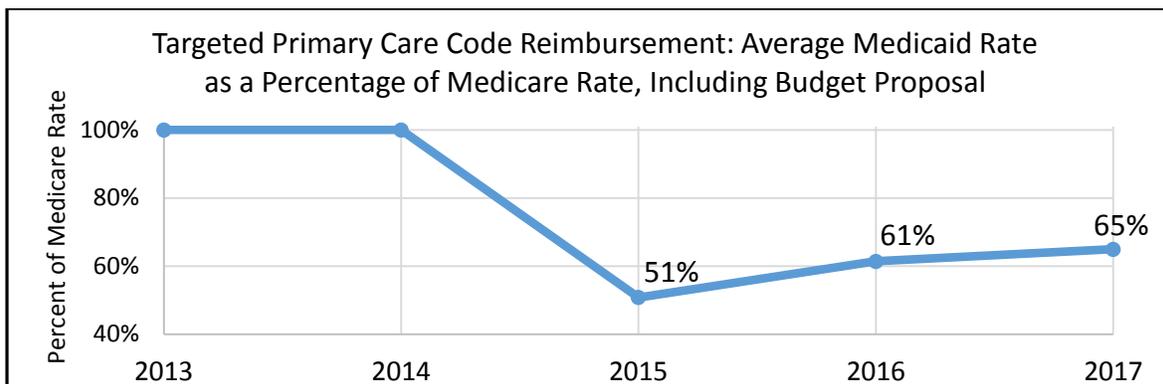
In 2013 and 2014, a federal program raised primary care reimbursement rates to full Medicare levels for physicians who delivered services to Medicaid patients. Last year, the OSMA conducted a [study](#) to determine how this Primary Care Rate Increase, or PCRI, affected physicians and their patients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

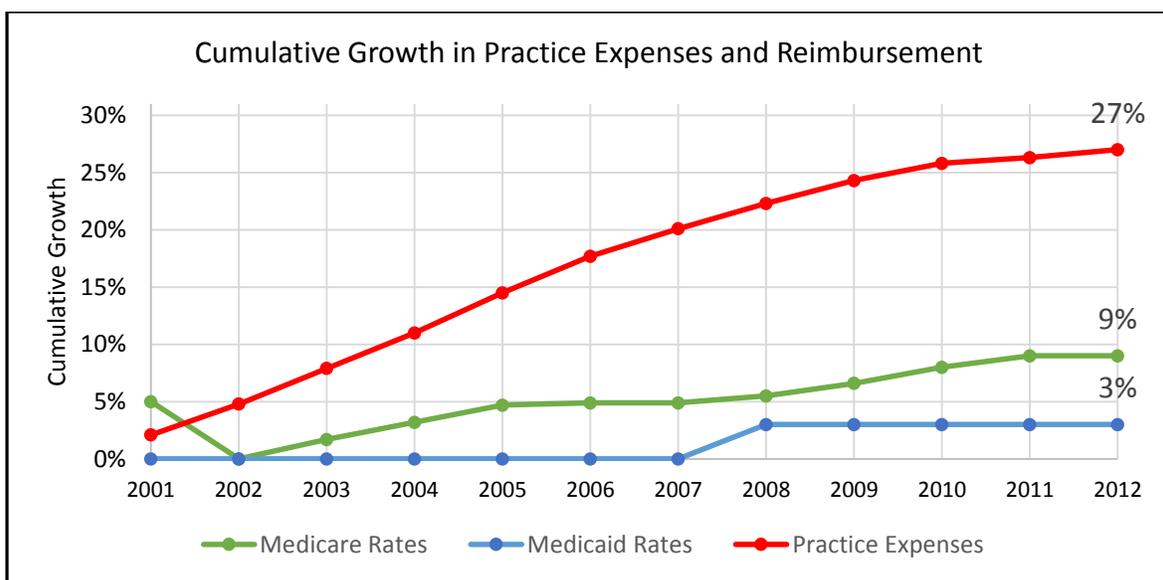
Our study also showed that better rates can also improve quality of care for patients with Medicaid: Providers told us they used PCRI funds to set up interdisciplinary provider teams for their patients, and that if funds continued, they would be able to do even more care coordination. This is the model 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.

Again, while the current budget proposal would raise reimbursement rates for a limited number of primary care services, it would only take reimbursement for these services up to 65% of

Medicare rates. This means primary care physicians 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%.



Nevertheless, physicians continue delivering services to patients with Medicaid. Now, physicians are facing what one of our members called “death by a thousand cuts,” and they are reaching their breaking point. Currently, practices face increasing administrative burdens, potential federal meaningful use penalties, and the impending Medicare sustainable growth rate (SGR) cut. In this environment, a cut to dual-eligible payments could push practices over the edge.

Finally, we know the real victims of cuts to dual-eligible reimbursement will be Medicare beneficiaries who will potentially wait longer to be treated and might have a limited choice of physicians. 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 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.

We urge this committee to reject the proposed cuts to the dual-eligible program, and we urge you to invest in raising Medicaid's physician rates to Medicare levels, thereby improving the program's long-term financial stability. Doing so will result in a more stable future for the Medicaid program and will ensure individuals with Medicaid benefits have access to high-quality, cost-efficient care.

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