



Communities Connect

Better Health for More People at Less Cost

Preserving Private Physician Participation in Connect

Response and Recommendations

To the Recent DSHS Study Regarding Financial Incentives

General Background

In 2005, the Communities Connect worked with state legislators to introduce legislation (SB 5703) that addressed barriers to private practice participation in safety net care. The proposed legislation called for the implementation of three strategies to increase the number of private medical practitioners caring for Medicaid and the uninsured in Washington State.

1. A much-needed increase in Medicaid reimbursement
2. Reduction of the administrative burden associated with Medicaid and
3. Creation of incentives for private medical practices to participate in safety net care.

SB 5703 did not pass but language was approved in ESSB 6090 Section 209(22) calling for “DSHS, the Department of Revenue and the Health Care Authority to report to the legislature in December 2006 on options for providing financial incentives for private practice physicians to serve uninsured, Medicare, and Medicaid patients.” The provision called for an assessment of the relative costs and effectiveness of strategies including, but not limited to, tax credits and payment rate increases.

Key Finding of DSHS Report

On January 18, 2007 the DSHS Report: *Options for Providing Financial Incentives for Private Practice Physicians to Serve Uninsured, Medicare, and Medicaid Patients* was presented to the Senate Health & Long Term Care Committee. The key findings are summarized below:

Tax Credit Options:

- Physicians could claim a credit against the total amount of tax due on their tax return equal to 1.5% of the amounts received for providing services to safety net patients. The total State-wide impact is estimated to be \$22.6 million per year.
- Comparable deductions exist for health and social welfare organizations, and public and nonprofit hospitals
- A tax credit option is relatively easy to administer for physicians and the Department of Revenue.

Medicaid Payment Comparisons:

- Washington State Medicaid rates are 73% of corresponding Medicare rates, and 53% of corresponding UMP (Unified Medical Plan) and commercial rates.
- Compared to other states, WA State Medicaid physician payment rates for maternity and children’s office visits are relatively high, whereas rates for specialty providers are low – *Ranking 40th among other states.*

Medicaid Fee-For-Service Participation Trends:

- Over the past five years the number of “active” providers participating in Medicaid FFS has stabilized state-wide. (FFS Medicaid represents 37% of all Medicaid patients)
- At the same time, in CY 2005, nearly half (17) of Washington’s counties had a decrease in participation for specialty providers, (this includes many Communities Connect communities.
- Recently (CY 2004-05), there were participation reductions in several specialty areas including: urology, ophthalmology, neurology, physician medicine and rehabilitation, plastic surgery, and pediatrics.

The Communities Connect Perspective

- As noted in the report, the study had limitations. A physician was considered a participating physician if they saw one Medicaid FFS patient in a year. A better measure of access would be the number and percentage of contracted Healthy Options Primary Care Providers in each county taking new patients. That is significantly less than the participation rate shown in the report.
- Although primary care access is a challenge, specialist access is even more critical. As noted in the report, Medicaid reimbursement for specialists was 40th in the nation. In many of our communities there has been anywhere from a 10 to 92% drop in specialist participation in Medicaid services in the last year. (Source: *DSHS Medicaid FFS participation per 1000 clients FY 2004/2005 comparison*)
- Medicaid access overall is a challenge but Medicaid access for adults is an even greater challenge.

While the report does not address uninsured in much detail there is a reference in the report to extending the B&O Tax Credit to the value of care that is donated to the uninsured.

Recommendations to Preserve Private Physician Participation in Safety Net Care Access

Given the key findings of the report and the situation in many Communities Connect communities, Communities Connect recommends the following legislative action:

1. Support expansion of the B&O Tax Credit to private physicians who see Medicare, Medicaid, BH and uninsured patients for the following reasons:

- Private physicians would then be on par with other healthcare providers caring for the same population (e.g., non profit hospitals)
- B&O Tax Credits are probably the most cost effective way of acknowledging the contribution of private providers who maintain involvement in the community safety net.
- Across the State private providers are involved in Project Access programs and are well positioned to document their contributions to the community safety net. Inclusion of Project Access patients in the B&O tax credit provisions would support existing efforts.

2. Adopt principles that correct systematic under-funding of Medicaid, encourage physician participation and improve client access:

- Link Medicaid reimbursement rates to a % the Uniform Medical Plan and apply the same inflation factor for UMP, Medicaid and BH in making annual adjustments.

3. Short of a comprehensive fix now, implement short term corrective action:

- Increase those Medicaid rates that reflect the lowest reimbursements relative to comparable Medicaid programs around the country (specifically specialist reimbursement) before making adjustments to reimbursement rates that are comparatively more favorable (i.e., maternity services)
- Extend the Governor’s children’s services budget proposal for FFS Medicaid children (\$30 million) to include Healthy Options and Basic Health at an additional cost of \$70 million for a total of \$100 million (or \$50 million for the state’s contribution).