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**POLICY LEVEL**

**PL-P9 Primary Care Physician Rate Increase**

**RECOMMENDATION SUMMARY TEXT**

The Health Care Authority (HCA) requests \$132,081,000 (\$38,603,000 GF-State) in the 2016 Supplemental to address decreased access to primary care physicians, nurse practitioners, and physician assistants.

**PACKAGE DESCRIPTION**

With the implementation of the Affordable Care Act (ACA), the federal government addressed the documented disparity in Medicaid remuneration by increasing primary care reimbursement rates to encourage providers to care for Medicaid patients. The rates were increased to equal the Medicare rate for specified procedure codes. The federal government funded 100 percent of the increase in reimbursement in fiscal years 2013 and 2014. In Washington State, the estimated fee increase for physicians ranged from 52 percent over 2009 Medicaid rates during this period. Effective January 1, 2015, this rate increase was no longer funded and the requirement expired.

According to a poll conducted by the Kaiser Commission on Medicaid and the Underinsured, 15 percent of states planned to continue the increased rate after December 1, 2014. Twenty-four states planned not to continue the rate increase and 12 states were yet undecided. Washington State did not continue the rate increase. Washington State's Medicaid program has a current reimbursement rate that is about 76 percent of Medicare's rate for the same service.

A survey of primary care providers (PCPs) conducted by the University of Washington Center for Health Workforce Studies found that 90 percent of primary care physicians in smaller practices provide care for individuals covered by Medicaid only. The study indicates that in larger practices, the organization's leadership makes the decisions about their patient case mix, based on payer type. Consequently, larger practices decide to limit the number of Medicaid clients they serve due to the level of reimbursement.

This study also found that providers who currently carry large numbers of Medicaid patients received an increase in total payments under this higher reimbursement program, and those in private practices or self-employed indicated the increased rate would incentivize them to accept new clients as well as continue to see Medicaid clients. In addition, large practices said they would accept Medicaid clients if the increase in payment continued. This indicates they may have been reluctant to bring on Medicaid clients for the two-year incentive and then have to continue to see them after the increase was discontinued.

This survey offers a very compelling argument as to why reinstating the increase rate is necessary to support access to care. In addition, consideration should be given to this rate increase proposal to acknowledge the increasing responsibilities that PCPs are being asked to assume as they manage client care and the challenges PCPs face in providing care to the Medicaid covered population, including non-

payment for “no shows.” A restoration of a rate equal to Medicare’s rate would demonstrate recognition for and appreciation of the role a PCP plays in managing the delivery of health care services to Medicaid clients, and would encourage continued participation in the state’s Medicaid program. Lack of timely access to PCP care will result in an increase in occurrence of severe illnesses that are more costly to treat.

The agency is requesting funding to support a rate increase for primary care providers for those specified procedures recognized under the program in effect calendar years 2013 and 2014.

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**FISCAL DETAILS/OBJECTS OF EXPENDITURE**

|  | <u>FY 2016</u> | <u>FY 2017</u>        | <u>Total</u>          |
|--|----------------|-----------------------|-----------------------|
| <b>1. Operating Expenditures:</b>        |                |                       |                       |
| Fund 001-1 GF-State                      |                | \$ 38,603,000         | \$ 38,603,000         |
| Fund 001-C GF-Federal Medicaid Title XIX |                | \$ 93,478,000         | \$ 93,478,000         |
| <b>Total</b>                             | <b>\$ -</b>    | <b>\$ 132,081,000</b> | <b>\$ 132,081,000</b> |
|  | <u>FY 2016</u> | <u>FY 2017</u>        | <u>Total</u>          |
| <b>2. Staffing:</b>                      |                |                       |                       |
| Total FTEs                               | -              | -                     | -                     |
|  | <u>FY 2016</u> | <u>FY 2017</u>        | <u>Total</u>          |
| <b>3. Objects of Expenditure:</b>        |                |                       |                       |
| A - Salaries And Wages                   | \$ -           | \$ -                  | \$ -                  |
| B - Employee Benefits                    | \$ -           | \$ -                  | \$ -                  |
| C - Personal Service Contracts           | \$ -           | \$ -                  | \$ -                  |
| E - Goods And Services                   | \$ -           | \$ -                  | \$ -                  |
| G - Travel                               | \$ -           | \$ -                  | \$ -                  |
| J - Capital Outlays                      | \$ -           | \$ -                  | \$ -                  |
| N - Grants, Benefits & Client Services   |                | \$ 132,081,000        | \$ 132,081,000        |
| Other (specify) -                        | \$ -           | \$ -                  | \$ -                  |
| <b>Total</b>                             | <b>\$ -</b>    | <b>\$ 132,081,000</b> | <b>\$ 132,081,000</b> |
|  | <u>FY 2016</u> | <u>FY 2017</u>        | <u>Total</u>          |
| <b>4. Revenue:</b>                       |                |                       |                       |
| Fund 001-C GF-Federal Medicaid Title XIX | \$ -           | \$ 93,478,000         | \$ 93,478,000         |
| <b>Total</b>                             | <b>\$ -</b>    | <b>\$ 93,478,000</b>  | <b>\$ 93,478,000</b>  |

## **NARRATIVE JUSTIFICATION**

### **WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?**

By providing the funding requested, the HCA can increase the reimbursement rates for primary care services, which should help ensure adequate access to services for Apple Health clients. Raising the reimbursement rates will encourage PCPs to re-enroll in our system and reconnect with the HCA and its clients. Clients who cannot access primary care may turn to the emergency room for care when their symptoms require treatment. The emergency room is a much more expensive site to receive care and that setting provides no follow-up care.

Timely access to primary care will assure the most cost-effective treatment is being rendered. It is important to be able to prevent medical problems and treat any that do occur promptly to avoid the need for more costly intensive treatment.

### **PERFORMANCE MEASURE DETAIL**

#### **Activity Inventory**

H008 HCA Children's Health Program Clients

H010 HCA Apple Health

H011 HCA All Other Clients – Fee for Service – Mandatory Services

### **IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?**

Yes, it supports the HCA's role in achieving a healthier Washington by assuring accessibility to quality primary care to prevent and treat health care conditions and support timely referrals to specialists.

### **DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?**

Yes, increasing reimbursement rates to PCPs for primary care contributes to the Results Washington Goal "Healthy and Safe Communities" because increased rates will improve access to care, resulting in healthier individuals.

### **WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?**

Access to timely primary care will have a significant effect on clients. They struggle every day to make appointments with a PCP who will accept the HCA's payment rates. Medicaid staff must facilitate these connections by directing clients to those limited number of providers that will accept the HCA reimbursement rates.

### **WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?**

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One alternative considered is to do nothing. This will result in no opportunity to secure or increase access to primary care which may result in increased future costs.

**WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?**

The consequence of not funding this proposal is that clients would continue to struggle to access primary care timely and with consistency which may result in Medicaid clients seeking primary care in expensive emergency room settings and poor healthcare outcomes.

**WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?**

None

**WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?**

None

**EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS**

**REVENUE CALCULATIONS AND ASSUMPTIONS:**

Since this rate increase would apply to services provided to all Medicaid clients, the anticipated federal funds are based on the blended Federal Medical Assistance Percentage (FMAP) of the state's entire medical assistance population.

**EXPENDITURE CALCULATIONS AND ASSUMPTIONS:**

The requested funding was derived by assuming implementation of a program similar to that in effect in 2014-2015 under the federal design. A rate equal to the Medicare rate was applied to enrolled primary care providers (physicians, nurse practitioners, and physician assistants) for specified procedure codes that represent the delivery of primary care.

**DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:**

All costs will be ongoing.

**BUDGET IMPACTS IN FUTURE BIENNIA:**

All costs in this biennium and future biennia will be ongoing and will vary subject to utilization by number of enrolled clients.