



Jan. 7, 2011

Esther Brown  
Texas Health and Human Services Rate Analysis  
Mail Code H-400  
PO Box 85200  
Austin, Texas 78708-5200

**RE: Additional Proposed 1-Percent Reduction in Medicaid and CHIP Physician Payments**

Dear Ms. Brown:

On behalf of the Texas Medical Association, the undersigned state specialty medical societies, and the more than 48,000 physicians we collectively represent, we are writing to convey our deepest concern about the proposed 1-percent budget reduction for Medicaid and CHIP physician services. As we have articulated in previous testimony to the agency, we strongly believe that cuts in Medicaid and CHIP physician payments, even small ones, will result in more physicians restricting their Medicaid participation, thus exacerbating the challenges patients face in finding a participating physician. Additionally, as more physicians leave Medicaid, the rate cuts undoubtedly will contribute to higher Medicaid and CHIP costs because more patients will have no choice but to rely on costly hospital emergency rooms (ERs) for care.

We understand the dire fiscal situation facing Texas. Cuts inevitably must be made. That being said, we also believe that Texas can and must act judiciously to achieve further savings. We must use a scalpel vs. a cleaver to close the budget gap.

To that end, one of the soundest investments Texas can make to limit Medicaid and CHIP cost growth is to broaden physician participation in these programs. A 2007 HHSC analysis found that the state could have saved \$26 million by redirecting patients with minor illnesses to a physician from an emergency room. On average, the state pays about \$36 for a physician office visit vs. \$144 for an ER visit, excluding the costs of drugs, lab, and x-ray.

To achieve such savings, patients must be able to find a Medicaid-participating physician in their community. Yet in many parts of the state, this is increasingly difficult. A decade ago, 67 percent of physicians reported accepting all new Medicaid patients. By 2006, that number had fallen to 38 percent. Today, 42 percent of physicians accept all new Medicaid patients, an increase largely attributable to the 2007 Medicaid physician rate increases. But those gains are tenuous. TMA's 2010 physician survey asked physicians how they would respond if the state cut Medicaid and CHIP payments by 1 to 2 percent. Nearly half — 45 percent — said the cut would cause them to consider imposing new limits on the number of Medicaid patients they accept. Another 25 percent reported they would stop taking Medicaid all together.

From the state's point of view, we understand why a nominal Medicaid payment cut for physicians might appear reasonable. However, current Medicaid rates do not cover physicians' practice costs. As with any small business, those costs increase each year. Medicaid rates lag woefully behind all other payers, making the program less and less competitive. On average, Medicaid pays about 80 percent of Medicare and about 50 percent of commercial insurance payments. For busy practices already juggling more demand than they can handle from privately insured patients, it just does not make economic sense to add more patients from a low-

paying program like Medicaid or CHIP. Further, physicians, unlike hospitals, have no ability to partially recover some of the losses via Upper Payment Limit or Disproportionate Share payments.

Cutting physician Medicaid/CHIP payment rates also will jeopardize the state's ability to trim Medicaid costs by redesigning the delivery system using new models of care, such as the patient-centered medical home or accountable care organizations. These models achieve savings, in part, by implementing vigorous patient care management and education aimed at reducing inappropriate hospitalizations and hospital readmissions. Without a robust network of physicians to better manage patient care, these reforms will not be possible.

We appreciate the Herculean task HHSC faces trying to achieve required savings without harming access to patients' care. As HHSC is pressed to find more savings, we stand ready to work closely with you to evaluate cost-containment alternatives that will continue to ensure our Medicaid and CHIP patients can obtain timely medical care.

Thank you for timely consideration.

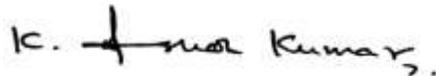
Sincerely,



Susan Rudd Bailey, MD, President  
Texas Medical Association



James L. Lukefahr, MD, President  
Texas Pediatric Society



K. Ashok Kumar, MD, President  
Texas Academy of Family Physicians

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Paul R. Tarnasky, MD, MD, President  
Texas Society for Gastroenterology and Endoscopy



Eugene C. Toy, MD, President  
Texas Association of Obstetricians and Gynecologists



Gregory Kronberg, MD President  
Texas Society of Anesthesiologists



Rodolfo Laucirica, MD  
President, Texas Society of Pathologists

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Tommy Yee, MD, President  
Texas Neurological Society



Greg Karnaze, MD, FACR, President  
Texas Radiological Society



John F. Moore, CMM, CMPE, President  
Texas Medical Group Management Assn.

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Joehassin Cordero, MD, FACS, President  
Texas Association of Otolaryngology



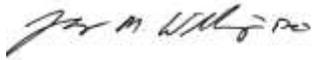
Dawn C. Buckingham MD, President  
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Amy Young, MD, Chair, District XI  
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Jeffrey N. Kocurek, MD, President  
Texas Urological Society

cc: Tom Suehs, Executive Commissioner, HHSC