



Physicians Caring for Texans

June 25, 2010

The Honorable Rick Perry
Governor
PO Box 12428
Austin, TX 78711

The Honorable David Dewhurst
Lieutenant Governor
PO Box 12068
Austin, TX 78711-2068

The Honorable Joe Straus
Speaker of the House
PO Box 2710
Austin, TX 78768-2910

Dear Governor Perry, Lt. Governor Dewhurst, and Speaker Straus:

On behalf of the Texas Medical Association and the 16 undersigned state specialty societies, we are writing to thank you for the measured approach your offices took to achieve budget savings this biennium. Given the budget challenges Texas faces, we were extremely pleased that your offices rejected such cost-containment proposals as slashing 200 public inpatient mental beds from service, reducing funding for uncompensated trauma care, and decreasing Medicaid payments by an additional 1 percent for physician services provided to adult Medicaid patients. As we articulated in our February 24 letter to you, we believe those cuts would have been harmful to our patients and also increased health care costs as care shifted to more expensive settings, such as emergency rooms or county jails.

We know Texas remains deep in the budget woods. With the budget shortfall for the 2012-2013 biennium estimated to be close to \$18 billion, we understand it is inevitable that more cuts will be made. That being said, we also believe that Texas can and must act judiciously to achieve further savings. We must use a scalpel versus a cleaver to close the budget gap. We also believe Texas must make investments in primary and preventive health care that will reap much needed savings down the road.

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 instead of an emergency room. On average, the state pays about \$36 for a physician office visit versus \$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, an increase largely attributable to the 2007 Medicaid physician rate increases. Yet, 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 manageable. However, current Medicaid rates already do not cover physicians' practice costs. Like 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 73 percent of Medicare and about 50 percent of commercial insurance payments. For busy practices already juggling more demand from privately insured patients than they can handle, it just does not make economic sense for them to add more patients from a low-paying program like Medicaid.

Federal health system reform includes provisions to help Texas reshape its Medicaid payment and delivery systems to achieve greater accountability. Indeed, one provision would reward Texas with a 90/10 federal match for better managing the care of chronically-ill patients participating in a medical home. Other provisions promote innovative new models of care, including what is called an accountable care organization (ACO). The legislature is studying similar options. As the state moves to implement these promising new programs, it will need a broad physician network with which to partner. All the models depend on robust physician participation to succeed.

Cutting physician Medicaid/CHIP payment rates, even modestly, will actually jeopardize the state's efforts to trim Medicaid costs. We believe the legislature can work together with physicians to avoid rate cuts while still achieving our mutual goals of better care at a lower price. Since early January, our organizations have been hard at work to develop cost-containment proposals for the legislature to consider. Indeed, in May TMA testified in favor of piloting ACOs and bundled payments as means to help curb Medicaid inflation. Organized medicine also has proposed ways that Texas can decrease its high rate of preterm births. Such a move would not only improve the lives of children and families but also reduce Medicaid costs.

We are very well aware of the Herculean task the next legislature will face in trying to balance a budget deep in the red while preserving Texans' ability to obtain needed health and social services. To mitigate the impact of cuts on our patients and your constituents, we look forward to further discussing our ideas with you in the coming months.

Thank you for timely consideration.

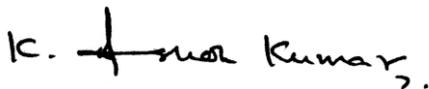
Sincerely,



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cc: The Honorable Steve Ogden
The Honorable Jane Nelson
The Honorable Jim Pitts
The Honorable Lois Kolkhorst
The Honorable Patrick Rose
Tom Suehs, Executive Commissioner, HHSC
David Lakey, MD, Commissioner, DSHS