



September 26, 2014

The Honorable David Dewhurst, Joint-Chair  
The Honorable Kevin Eltife  
The Honorable Craig Estes  
The Honorable Juan “Chuy” Hinojosa  
The Honorable Jane Nelson

The Honorable Joe Straus, Joint Chair  
The Honorable Drew Darby  
The Honorable John Otto  
The Honorable Sylvester Turner  
The Honorable John Zerwas, MD

Dear Chairman Dewhurst, Chairman Straus, and Legislative Budget Board Members:

I am writing on behalf of the Texas Medical Association and the undersigned organizations, which collectively represent more than 48,000 physicians and medical students, to urge you to take bold action to fix a major problem in Texas Medicaid: utterly inadequate physician payment rates. Specifically, we ask the LBB to support the following:

- Maintain Medicare parity in the 2016 to 2017 budget for primary care physicians currently receiving the higher rates. Congress enacted and funded the higher rates, but without legislative or Congressional action, the rates will expire Dec. 31, 2014. At least six other states, including Alabama, have voted to sustain the higher payments to ensure an adequate physician network for their Medicaid beneficiaries.
- Extend the parity payments for primary care to services provided to CHIP.
- Establish competitive Medicaid and CHIP payment rates for physician specialties who are not included in the Medicaid to Medicare parity increase.
- Reverse the eight percent payment reduction for Physician Assistants (PAs) and Advanced Practice Registered Nurses (APRNs) practicing under physician supervision. The cut, which will take effect in early 2015, will undermine Texas’ efforts to promote team-based models of care, an essential element of reforming the Medicaid delivery system.

Over the past 18 months, there has been considerable attention paid to Texas’ “broken” Medicaid system, with particular interest in the plummeting physician Medicaid participation rate and the impact that exodus is having on patients’ ability to obtain timely, medically necessary care. Medicaid enrollees are people we all know: bus drivers, cafeteria workers, teachers’ aids, and other hard working, low-income Texans and their children. The program also is essential for Texans with disabilities and seniors.

But for all the Texans who rely on Medicaid for their health care coverage, a Medicaid card without a physician to provide their care is no real access at all. According to TMA’s preliminary 2014 physician survey, only 34 percent of physicians accept *all new* Medicaid patients, a 33-point drop since 2000, when 67 percent of physicians reported their willingness to accept all new Medicaid patients. While another 23 percent of physicians report accepting Medicaid with limits, this number is troublingly low too because of the number of poor and low-income Texans who rely on Medicaid for their health care coverage. Indeed, according to the Texas Health and Human Services Commission (HHSC), Medicaid enrollment is now just shy of 4 million Texans.

The 83<sup>rd</sup> legislature, thanks to your support, adopted bills to decrease the paperwork and administrative complexity of Medicaid, particularly in Medicaid HMOs. While there is still much work to do in this area, progress is afoot. Reducing bureaucratic hassles is key to recruiting and retaining physicians. **However, grossly inadequate payment is the single overriding reason physicians cite for why they or their colleagues limit or no longer participate in Medicaid.** According to TMA surveys, physicians support Medicaid as a means to provide health care to vulnerable, low-income Texans. They want to participate. Yet, as owners of small businesses, facing ever more costly and demanding federal and state regulatory burdens, many just cannot afford to stay in a program that pays less than half their costs.

**The Texas Legislature is responsible for determining Medicaid payment rates.** In 2007, it enacted significant increases for some physician specialties and services<sup>1</sup>. Since then, payment rates have stagnated or declined.

- Four years ago, physician payments were cut by 2 percent across-the-board.
- In 2012, physicians who care for dual-eligible patients – frail seniors and people with disabilities who qualify for both Medicare and Medicaid – saw their fees plunge 20 percent.
- Physicians practicing collaboratively with PAs and APRNs to build after-hours clinics, expand preventive care capacity, or improve specialty care availability will soon suffer an eight percent payment cut.

Yet, since 2007, physician practice costs have risen roughly 21 percent<sup>2</sup>. With already-inadequate fees declining and practice costs rising, it is easy to see why fewer physicians sign up.

Consider the attached chart comparing Medicaid, commercial, and Medicare payments for various physician services. Medicaid payments for the most commonly performed services range from 48 percent to 87 percent of Medicare and 41 percent to 73 percent of commercial insurance payments. These rates are hardly enticing to physicians who may want to sign up for Medicaid, particularly when they can barely keep up with demand for their services from better paying privately insured patients.

We know our request will entail significant new costs. But fixing a Medicaid system widely acknowledged to be in need of significant repair will require bold action by Texas leaders. Millions of poor patients – your constituents – rely on Medicaid for their medical care. To be sure, other Medicaid reforms are needed too, including improving patient outcomes and increasing use of preventive care and primary care, promoting greater patient accountability, and implementing payment reforms to promote better quality. All reforms TMA supports.

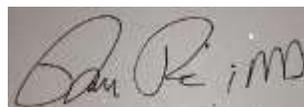
Like a run down house in need of repair, you've got to pick up a hammer and start somewhere. Increasing Medicaid payment rates to Medicare parity is the nail that needs to be hit first.

Thank you for your timely consideration.

Sincerely,



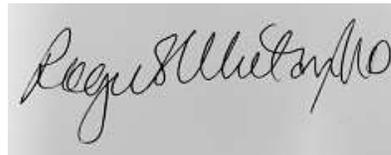
Austin I. King, MD, President  
Texas Medical Association



Jason Terk, MD, President  
Texas Pediatric Society



Dale Ragle, MD, President  
Texas Academy of Family Physicians



Roger Khetan, MD, FACP, FHM, President  
Texas Chapter, American College of Physicians

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<sup>1</sup> Fees were increased in 2007 as part of the *Frew* consent decree.

<sup>2</sup> The Medicare Payment Advisory Commission (MedPAC) estimates that physician practice costs increase about 3 percent annually.

David F. Gloyna, MD, President  
Texas Society of Anesthesiologists

M. Patrick Collini, MD, President  
Texas Urological Society

Theodore M. Freeman, MD, President  
Texas Allergy, Asthma and Immunology Society

Ed Uthman, MD, President  
Texas Society of Pathologists

Matt Phillips, MD, President  
Texas Chapter of the American College  
Of Cardiology

Tilden L. Childs III, MD, FACR, President  
Texas Radiological Society

Todd Pickard, PA-C, President  
Texas Academy of Physician Assistants

Virginia Rauth, MD, President  
Texas Association of Obstetricians and  
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Marc Dehart, MD, President  
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Michael Stanley, MD, MBA, President  
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Sidney Gicheru, President  
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R. Andrew Harper, MD, Chairman  
Federation of Texas Psychiatry

Jeffrey A. Fearon, MD, President  
Texas Society of Plastic Surgeons

cc: Kyle Janek, MD

## Estimated Relationship Among Texas Medicaid, Medicare, and Commercial Fees - Selected Procedures

CPT Code	Description	*Medicare (Rest of Texas) Fee - Sept 2014	*Estimated Average Commercial Fee	Medicaid Children	% of Medicare (Rest of Texas)	% of Estimated Commercial	Medicaid Adults	% of Medicare (Rest of Texas)	% of Estimated Commercial
27130	Hip replacement	\$1,326.14	\$1,657.67	\$1,092.94	82%	66%	\$1,040.89	76%	60%
33533	Heart bypass surgery	\$1,865.35	\$2,331.68	\$1,532.47	82%	65%	\$1,459.49	78%	62%
42825	Tonsillectomy - Child	\$258.11	\$322.63	\$213.03	82%	66%	N/A		
44950	Removal of appendix	\$623.77	\$779.71	\$512.79	82%	66%	\$488.37	78%	63%
59409	Vaginal delivery	\$815.81	\$1,019.76	\$583.24	71%	57%	\$555.46	68%	54%
90792	Psychiatric exam	\$141.62	\$162.78	\$119.82	84%	73%	\$113.91	80%	70%
92002	Eye exam (new patient)	\$78.53	\$90.26	\$68.48	87%	75%	\$65.22	83%	72%
99203	Initial physician office visit	\$102.90	\$118.27	\$60.33	59%	51%	\$54.41	53%	46%
99213	Follow up physician office visit	\$69.61	\$80.01	\$36.89	53%	46%	\$33.27	48%	41%
99232	Hospital exam	\$70.18	\$80.66	\$49.42	70%	61%	\$44.57	64%	55%
99308	Nursing home exam	\$66.57	\$76.51	\$40.22	60%	52%	\$36.28	54%	47%
*99385	Preventive Care (adults, ages 21-39)	\$108.43	\$124.63	N/A			\$78.85	73%	63%

**Notes:**

1. Although there is no public data on commercial plan payments to physicians, we have estimated these values based on information from the Medicare Payment Advisory Commission's [Report to the Congress: Medicare Payment Policy, March 2012](#). MedPAC estimates that Medicare fees average 87% of commercial rates for office visits and consultations (known as Evaluation and Management codes), and 80% of commercial rates for all other procedures. MedPAC data are based on paid PPO claims for one large national insurer. We have used MedPAC's estimates to estimate commercial payments and calculate Medicaid payments as a percent of commercial payments.

2. For preventive care, Medicare does not pay code 99385; the comparison fee is for G0439, Medicare's annual preventive visit.

3. In every case, the Medicare fee used is for the "Rest of Texas" payment area, the lowest Medicare fees in the state. In other areas of the state including Dallas, Houston, Austin, Galveston and Ft. Worth, Medicare fees are higher, so commercial fees may be higher and the difference between Medicaid and commercial would be larger.

