

Office of Health Transformation **Reform Physician Payments**

Governor Kasich's Budget:

- *Increases physician rates \$156 million over two years.*
- *Increases dental provider rates \$5 million over two years.*
- *Converts hospital teaching subsidies into physician rate increases.*

Background:

Ohio trains more physicians than it retains. The state's six public medical schools¹ enroll over 3,700 medical students, which ranks Ohio 5th among states in terms of the number of public medical school enrollees per capita. However, only 44 percent of physicians who graduate from public medical school in Ohio stay in Ohio. As a result, Ohio ranks 16th in terms of active physicians per capita and 24th in terms of active primary care physicians per capita.² According to federal Health Professional Shortage Area designations, more than 1.1 million Ohioans reside in an area that is underserved for primary care, 1.4 million reside in an area that is underserved for dental care, and 2.7 million reside in an area that is underserved for mental health care. The individuals who live in these underserved areas are disproportionately from minority and low-income populations within rural and urban areas throughout the state.

Executive Budget Proposal and Impact:

The Executive Budget increases Medicaid primary care rates \$156 million over two years and offsets the cost of the increase from other savings (see Table 1). The Executive Budget:

- ***Increases Medicaid primary care rates.*** Ohio Medicaid currently pays physicians approximately 59 percent of the Medicare physician fee schedule. Aside from the recently discontinued federal Primary Care Rate Increase (PCRI), providers of physician services have not received a payment increase since the year 2000. Beginning January 1, 2016, Ohio Medicaid will provide an enhanced payment amount to eligible Medicaid providers that bill for office or outpatient services codes, and preventive services codes. Unlike the temporary PCRI, this initiative is not limited to particular primary care specialties, nor is it limited to primary care physicians or physicians alone. Many practitioners bill the office visit codes, including nearly all physicians, advanced practice nurses, physician assistants and a variety of clinic types. The enhanced payment

¹ The Ohio State University, the University of Cincinnati, Wright State University, The University of Toledo, Northeast Ohio Medical University, and Ohio University.

² Association of American Medical Colleges, [2011 State Physician Workforce Data Book](#) (2011) page 24: students enrolled in public medical or osteopathic schools for the 2010-2011 academic year.

provision will apply to services provided through both the fee-for-service and managed care delivery systems. Although not restricted by place of service delivery, facility/non-facility pricing rules will still apply, but at a somewhat higher payment level. The enhanced payment amount costs \$42.1 million (\$15.8 million state share) in 2016 and \$109.2 million (\$41.1 state share) in 2017, all of which is offset by savings.

Table 1. Proposed Medicaid Physician Rate Increases and Offsetting Savings.

All funds in millions	SFY 2016 proposed	SFY 2017 proposed
Rate Increases		
- Increase primary care and pediatric physician rates	\$ 42	\$ 109
- Increase dental rates	\$ 2	\$ 3
Subtotal	\$ 44	\$ 112
Savings		
- Apply Medicaid maximum methodology to physician claims	\$ (43)	\$ (86)
- Direct graduate medical education (GME) hospital reduction	\$ -	\$ (25)
- Reduce Holzer payments to 100% Medicaid	\$ (1)	\$ (1)
Subtotal	\$ (44)	\$ (112)

- Increases Medicaid dental provider rates.** Medicaid rates for dental providers have not increased since January 2000. The current average maximum dental fee in Ohio Medicaid is approximately 36 percent of the average charge of the 2011 American Dental Association survey of fees. The Executive Budget will increase dental provider rates one percent. This change costs \$1.5 million (\$562,000 state share) in 2016 and \$3.0 million (\$1.1 million state share) in 2017, all of which is offset by savings.
- Applies Medicaid maximum payment to Medicare crossover claims.** For individuals enrolled in Medicare and Medicaid, states have the option to pay the patient’s Medicare cost sharing amount (typically 20 percent) or reimburse up to the Medicaid maximum amount. Ohio has elected to only reimburse up to the Medicaid maximum for all services except physician services. Currently physicians are paid the full Medicare cost sharing, which can result in a provider being paid more than the Medicaid maximum amount. The Executive Budget requires Ohio Medicaid to reimburse only up to the Medicaid maximum for all Part B categories of service, including physician services. This provision will save \$43.1 million (\$16.2 million state share) in 2016 and \$86.2 million (\$32.4 million state share) in 2017, all of which is applied to primary care rate increases.
- Converts subsidies for medical education into a primary care rate increase.** Ohio Medicaid spends approximately \$100 million annually to subsidize physician training through direct graduate medical education (GME) payments to teaching hospitals. Teaching hospitals tend to offer residency programs that focus on specialized medicine,

rather than primary care, which is the state's priority to support. The Governor's Office of Health Transformation convened a series of meetings to explore revising the GME formula to better support primary care and, during those meetings, the point was made that a more direct strategy for attracting future doctors into primary care is to increase primary care rates. In response, and because the current GME formula subsidizes specialty training as well as primary care training, the Executive Budget transfers \$25 million in Medicaid GME to support a primary care rate increase in 2017.

- **Eliminates enhanced payment to Holzer Clinic.** Ohio Administrative Code was amended in 1992 to provide enhanced payment to the Holzer Clinic for medical staff to provide services typically administered through an outpatient hospital. The Holzer network recently underwent a merger that created the Holzer Health System which provides both inpatient and outpatient hospital services. As a result, there is no longer a basis to continue paying the Holzer Clinic at 140 percent of the standard Medicaid fee schedule. The Executive Budget proposes to eliminate the enhanced payment rate and revert payment to the standard Medicaid physician fee schedule. This provision saves \$1.5 million (\$560,000 state share) over two years, all of which is applied to the proposed primary care rate increases.
- **Recoups certain physician payments.** Hospital claims are currently subject to retrospective review for medical necessity. Under the policy, hospitals can be issued a technical denial and their payment may be taken back by Ohio Medicaid. The Executive Budget extends this recoupment policy to any physician claim associated with a technical denial received by a hospital. This provision saves \$76,000 over two years.
- **Supports payment innovation.** More than 40 percent of a primary care physician's day is spent in essential but non-reimbursed tasks such as care coordination³ and 27 percent of their revenue is spent on administrative activities such as insurance company and government compliance and regulations.⁴ New payment methodologies need to be developed to reward prevention, coordination of care, and management of chronic diseases. In January 2013, Governor Kasich convened an Advisory Group on Health Care Payment Innovation to align public and private health care purchasing power to reward the value of services, not the volume. The Advisory Group is exploring innovative payment models, including paying for better coordinated care and improved outcomes through patient-centered medical homes. After an initial net investment of \$1 million (\$345,000 state share) in 2016, this initiative is expected to save \$5 million (\$1.9 million state share) in 2017.

Updated February 2, 2015

³ New England Journal of Medicine, [What's Keeping Us So Busy in Primary Care?](#) (April 2010).

⁴ Health Affairs, [Peering Into the Black Box: Billing and Insurance Activities in a Medical Group](#) (January 2013).