



**To:** House Committee on Aging and Long Term Care

**From:** Jerry Slaughter  
Executive Director

**Date:** January 19, 2010

**Subject:** Medicaid Provider Reimbursement Cuts

The Kansas Medical Society appreciates the opportunity to appear on the subject of the 10% cut in Medicaid provider reimbursement which was ordered by Governor Parkinson in late November. The reimbursement cut, which took effect January 1<sup>st</sup>, is expected to save the state general fund (SGF) approximately \$18 million in the remaining months of the current (FY 2010) fiscal year. Because the cut will also have the effect of reducing the amount of federal matching funds that would otherwise be available, the total impact on Medicaid providers is estimated to be \$58 million in FY 2010. For the upcoming fiscal year, FY 2011, the 10% reduction will save the SGF about \$50 million, and the impact on providers will be roughly \$150 million.

First, the physician community understands the seriousness of the financial challenges facing our state, and that there are no easy decisions for policymakers when it comes to balancing the needs of the state with the resources which are available. Medicaid - which serves about 315,000 low income families and their children, the aged and disabled – particularly in the midst of a recession, is a critical safety net program that must be adequately funded to protect this vulnerable population.

We are fortunate in Kansas that the vast majority of physicians participate in the Medicaid program. Although there are some areas where we need to shore up the network somewhat, we have made very positive strides forward in recent years in assuring access to care for the covered population. The physician participation rates are high compared to most other states, even though Medicaid reimbursement is on average about 20% below Medicare rates, and well below rates (as much as 30-40%) paid by private insurers. Medicaid rates were helped considerably by the hospital assessment program, enacted in 2004, and finally implemented in 2006. After thirty years of virtually no enhancements, funds made available from the hospital assessment program were added to the physician fee schedule, which was a major factor in keeping physician participation high.

Although the provider community understands the difficult position the state is in, the 10% cut ordered by the governor will likely cause physician practices all across the state to re-evaluate their ability to absorb Medicaid patients into their practices. Many physician practices we have talked with have indicated that if the cuts are temporary, they

will do their best to maintain their commitment to Medicaid. However, if the cuts are perceived to be long term – or if it appears more cuts are possible – we can expect a significant erosion of the capacity of physician practices to continue to accept Medicaid.

Some context is very important here. Medicaid is not the only public program that affects physician practices. The Medicare program, which covers those 65 and over, also has tremendous influence on medical practices. Medicare, though it pays better than Medicaid, is still well below private insurers, and for physicians, Medicare fees have been essentially frozen for the past seven years. Another public program which serves a significant segment of our population in several areas of the state is the TRICARE program, which provides health benefits for the military and their dependents. TRICARE also reimburses providers on the Medicare fee schedule.

Medicaid covers about 315,000 Kansans; Medicare covers about 410,000 Kansans, and TRICARE roughly 125,000 individuals. Together these publicly financed health programs cover nearly 850,000 Kansans, or 30% of our population. And the number of Medicaid enrollees is continuing to grow, with the S-CHIP expansion that took effect January 1, and the significant Medicaid expansion that is a part of the federal health care reform legislation. In the very near future, nearly a million Kansans, or a little more than a third of our population could be covered by these public programs. Health care providers understand this dynamic, and must plan accordingly for it. That is why one cannot look at the Medicaid program as a stand alone public program, and why decisions on a medical practice's capacity to absorb Medicaid patients is heavily influenced by what is happening in the other public programs.

We will continue to encourage physicians to maintain their commitment to Medicaid, in order to assure continued access to care for the population served by this important public health care program. However, if the cuts appear to be of indefinite duration, or if they are made deeper, it is likely that the program will begin to see attrition in the provider network, which will result in more care being delivered in hospital emergency departments, at much higher costs to the program.

Thank you for the opportunity to offer these comments, and we would be happy to respond to any questions.