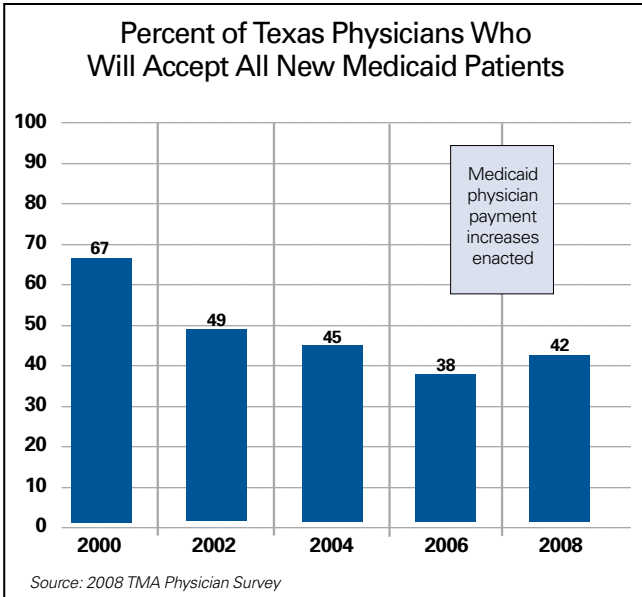


# Improved Rates = Improved Medicaid Access

In 2007, organized medicine called for the legislature to increase Medicaid rates on par with Medicare. At that time, physician participation in Medicaid was in freefall, declining from 67 percent of physicians accepting all new Medicaid patients in 2000 to 38 percent in 2007. Coincidentally, the 15-year-old *Frew vs. Hawkins* class action lawsuit alleging inadequate access for children in Medicaid came to a head. The legislature responded. New monies were allocated to increase funding for Medicaid children's services by 25 percent and for adults' services by 10 percent.

## The 2007 increase to rates halted physicians' exodus from Medicaid.



- Physicians who will accept all new Medicaid patients rose from 38 percent to 42 percent.
- Most of the gains have been among pediatricians and other physicians treating children, which is not surprising given that funding for children's services increased 2.5 times as much as for adults.

## Everyone pays when Medicaid rates are inadequate.

A December 2008 study by Milliman USA found that inadequate Medicaid physician fees resulted in a cost shift of \$23.7 billion to commercial health insurance premiums. Without this cost shift, commercial insurance would cost about 4 percent less. A similar study done by Milliman USA in 2004 found that employers in Washington state paid an additional \$1 billion in premiums to make up for insufficient Medicare and Medicaid payments to physicians and hospitals.



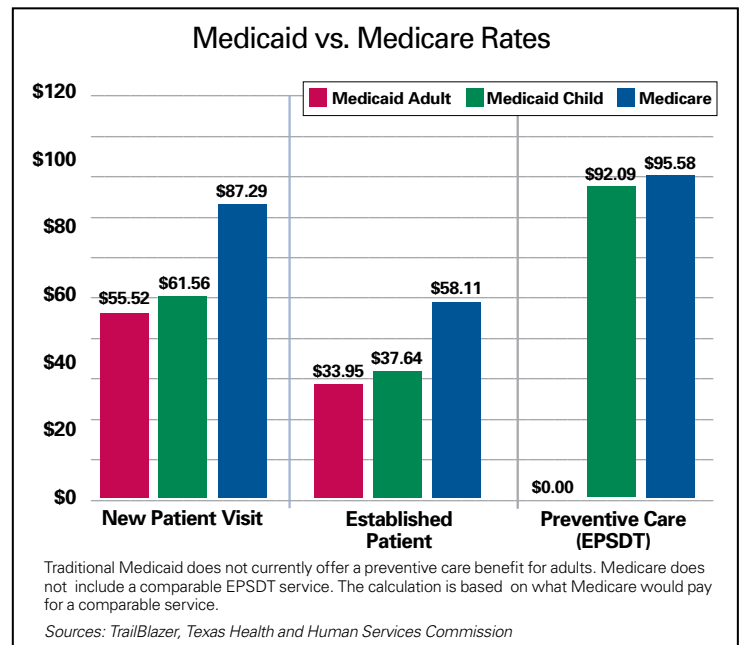
## Medicare parity is needed to shore up access.

The 2007 rate increases stemmed the tide of physicians leaving Medicaid, but much more is needed to shore up access. In nearly all parts of the state, patients still report difficulty finding a Medicaid-participating physician, which contributes to patients relying on the emergency room for care. Children's Health Insurance Program (CHIP) families struggle similarly to find a participating physician.

## Despite the rate increases, physician fees in Medicaid and CHIP continue to lag well behind those paid by Medicare and commercial insurers.

Additionally, physician practice costs increase about 3 percent annually. If rates are not further improved this biennium, the investments made in 2007 will erode through inflation, making it difficult to sustain renewed interest in Medicaid participation by physicians.

Physicians want to participate in Medicaid and CHIP, but they simply cannot sustain a program that pays below their costs of running a practice.



The Texas Chapter of the American Academy of Pediatrics



Physicians Caring for Texans

## The solutions that are needed now:

As a result of the federal economic stimulus plan, Texas will receive \$5.45 billion in additional Medicaid matching dollars over the next two years. Now is the time for state lawmakers to invest these resources to build a robust physician network for Medicaid and CHIP patients. These dollars will go a long way to improve health care access. TMA supports these actions:

- Increasing rates to Medicare parity, including raising adult rates to be equal to those paid for children's services, and
- Instituting an annual inflation adjustment so that rates keep pace with the increasing costs of providing care.