

RAISING MEDICAID REIMBURSEMENT TO INCREASE PROVIDER PARTICIPATION

Federal Medicaid law does not set precise requirements for the reimbursement of medical services. As a result, states have flexibility in setting Medicaid and Medicare physician payment rates. In most states, Medicaid reimbursement rates are lower than those for Medicare which itself pays less than private insurance.¹ While Medicaid reimbursement rates increased between 1998 and 2003, they continue to be considerably lower than Medicare rates.² Since 2003, many states have reduced reimbursement rates as a way of controlling Medicaid costs.³ The adequacy of Medicaid payments directly affects the number of physicians accepting Medicaid patients and the access these individuals have to health care.

Medicaid Reimbursement for Providers in Missouri

Nationwide, the average Medicaid reimbursement rate is 69 percent of Medicare reimbursement.⁴ The 2003 Missouri Medicaid to Medicare fee index was 56 percent. In that same year, Missouri's Medicaid to Medicare reimbursement index ranked 45 out of 50 states.⁵

The Effect of Rate Increases on Provider Participation and Quality of Care

Research indicates that raising reimbursement for Medicaid providers results in their increasing the number of Medicaid patients they treat. One study found that a 20 percent increase in Medicaid fees (relative to Medicare rates) added to the number of Medicaid patients seen by 10.6 percent.⁶ This study also concluded that in addition to increasing reimbursement rates, a number of factors (including type of physician practice, physician and practice characteristics, and characteristics of the communities in which the physicians practice) influence a provider's decision to accept Medicaid participants.⁷

Despite a general consensus that higher reimbursements are associated with better provider participation, research is inconclusive regarding whether improved reimbursements increase access to medical care for Medicaid enrollees. One study found that increasing Medicaid reimbursement rates:

- did increase the likelihood that an enrollee would have a usual source of care;
- did increase the likelihood that an adult Medicaid enrollee would have at least one visit to a doctor or other health care professional; and
- did increase Medicaid patient satisfaction with healthcare.⁸

Mitigating Factors

The benefit of increasing reimbursement rates on provider participation in state Medicaid programs appears to moderate as rates approach the Medicare level. Between 1998 and 2003, states with an average reimbursement rate of 86 percent of Medicare levels did not experience overall increases in provider participation in their Medicaid programs when they raised reimbursement levels.⁹

Considerations for Policymakers

Increasing Medicaid reimbursement rates has been shown to boost provider participation. States with lower rates which increased their reimbursement levels experienced a greater expansion of Medicaid providers than in states with higher rates.¹⁰ In the short-term, increased provider reimbursements could significantly increase provider participation in Missouri's Medicaid program. However, research suggests that improving health care access requires a comprehensive approach (decreasing the number of uninsured, increasing Medicaid eligibility, recruiting physicians to accept Medicaid patients, etc.). The challenge for policymakers is to see raising reimbursement rates a part of the strategy, not the solution.

Endnotes

¹ In this context, Medicare reimbursements as a percentage of private insurance averaged 78 percent in 2002. Given that Medicare fees are significantly more generous than Medicaid, a comparison of private insurance and Medicaid reimbursement levels would suggest a rate well below the national 69 percent Medicaid to Medicare reimbursement fee index. Medicare Payment Advisory Commission, "Report to the Congress: Medicare Payment Policy," March 2005.

² S Norton and S Zuckerman, "Trends in Medicaid Physician Fees, 1993–1998," *Health Affairs* 19.4 (2000):222–232. The Medicaid fee increase reported in the paper (4.6 percent) differs from the number reported here (5.6 percent) because we used weights for individual fees that reflected a more recent distribution of Medicaid services.

³ V Smith et al, *States Respond to Fiscal Pressure: A 50-state Update of State Medicaid Spending Growth and Cost Containment Actions* (Washington, DC: Kaiser Family Foundation, 2004).

⁴ S Zuckerman et al, "Changes in Medicaid Physician Fee, 1998-2003: Implications for Physician Participation," *Health Affairs*, 23 June 2004.

⁵ S Zuckerman et al, 2004.

⁶ P Cunningham and L Nichols, "The Effects of Medicaid Reimbursement on the Access to Care of Medicaid Enrollees: A Community Perspective," *Medical Care Research and Review*, 62.6(2005):676-696.

⁷ P Cunningham and L Nichols, 2005.

⁸ Y Shen and S Zuckerman, "The Effect of Medicaid Payment Generosity on Access and Use among Beneficiaries," *Health Services Research*, 40.3(2005):723-44.

⁹ S Zuckerman et al, 2004.

¹⁰ S Zuckerman et al, 2004.

About this Analysis

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