Health Law Alert: The ACA's Increased Medicaid Reimbursement for Primary Care Expires December 31, 2014

December 31, 2014

Medicaid primary care providers will usher in the new year with a reimbursement reduction. For the past two years, Medicaid programs have been required to reimburse primary care providers at Medicare levels. The rate increase was included in the Affordable Care Act (ACA) as a way to incentivize provider participation in the expanding Medicaid program and since 2013, many providers have benefited from this increased reimbursement. This rate increase is set to expire on December 31, 2014, however, which means that primary care providers are slated to start the new year with a hit to their revenue streams.

Increased Medicaid Payments to Primary Care Physicians

Medicaid reimbursement is notoriously low compared to private insurance or Medicare. Poor reimbursement has historically led many providers to decline participation in Medicaid, which has had a negative impact on beneficiaries' ability to obtain care. The ACA, when expanding Medicaid coverage, sought to address this issue. Effective for dates of service on and after January 1, 2013, states were required to reimburse Medicaid primary care providers at Medicare rates. The goal was to ensure sufficient provider participation as the Medicaid population increased.

The rate increase applied to primary care services delivered by physicians with a specialty designation of family medicine, general internal medicine, or pediatric medicine. Specialists and subspecialists within these designations could also qualify. Physicians were required to self-attest to a covered specialty or subspecialty designation and state that they are either Board certified in the specialty and/or that sixty percent of their Medicaid claims for the previous year were for the evaluation and management or vaccine administration codes specified in the regulation.

For years 2013 and 2014, the rate increase was funded entirely by the federal government. However, the federal funding for the rate increase ends on December 31, 2014.

2015 and Beyond

Federal and state policymakers are considering extending the Medicaid rate increase. The Obama Administration included a one-year extension in the annual budget, proposing to extend the enhanced rate through December 31, 2015. Members of Congress have also introduced legislation to extend the rate increase. According to the Kaiser Foundation, fifteen states have indicated that they will independently continue the increase in 2015. Minnesota, however, is not one of them.

As the law stands, Minnesota Medicaid providers will experience a decline in reimbursement. The Urban Institute analyzed primary care reimbursement rates and predicted an average country-wide decline of 42.8 percent, with Minnesota experiencing an average decline of 28.3 percent. Unless and until the federal or state government acts otherwise, primary care physicians should be prepared to see reductions in their Medicaid payments in the new year.

Implications of Medicaid Reimbursement on Other Health Care Programs

Dropping out of Medicaid because of poor reimbursement is not as simple as it sounds. For example, the Department of Human Services' "Rule 101" requires physicians and other providers who want to see patients covered under state sponsored health plans that offer higher reimbursement than Medicaid, such as state employees' health insurance plans, workers compensation insurance, and public employees insurance, to accept Medicaid patients (subject to certain limitations). Likewise, providers rendering services on behalf of tax-exempt health care organizations may have an obligation to treat Medicaid patients due to the organization's obligation to meet its community benefit standards. Of course, it is also worth noting that even though Medicaid rates may be low, some payment is better than no payment—particularly where reimbursement differentials can be made up through higher rates from other payors. Finally, with the Legislature set to reconvene in St. Paul on January 6th, now is a good time to contact legislators about primary care reimbursement rates, particularly in light of the $1 billion surplus on the books for the 2015-16 biennium.

If you have questions regarding Medicaid reimbursement, please contact Jesse Berg at jesse.berg@lathropgpm.com (612.632.3374), Tim Johnson at timothy.johnson@lathropgpm.com (612.632.3208) or Julia Marotte at Julia.marotte@lathropgpm.com (612.632.3280).