AMERICAN ACADEMY OF FAMILY PHYSICIANS
STRONG MEDICINE FOR AMERICA

Medicaid Primary Care Payment Parity

RECOMMENDATION

American Academy of Family Physicians (AAFP) policy supports Medicaid payment for primary care services at least equal to Medicare's payment rate for those services when provided by a primary care physician.

Background

Lack of parity between Medicaid and Medicare physician payment rates has historically created a barrier to health care access for Medicaid enrollees. Prior to the passage of the ACA, Medicaid physician payments were generally far lower than both Medicare and private insurance payment rates for the same services. Physicians cited low reimbursement rates and significant administrative burden as the main reason for limiting access to a significant number of Medicaid patients. Increasing Medicaid payment has been suggested as a solution to increasing fairness and eliminating some of the barriers to access for the Medicaid population.

In 2012, the Medicaid-to-Medicare fee index was 0.66 for all services and 0.59 for primary care services. The fee ratio varied widely from state to state, ranging from 0.37 in Rhode Island to 1.34 in North Dakota. Five states (California, Florida, Michigan, New York, and Rhode Island) paid Medicaid primary care fees at a rate less than 50% of Medicare primary care fees while another 30 states paid at a rate less than 75%. The Medicaid-to-Medicare fee gap for both "primary care services" and "all services" widened from 2008 to 2012 as state budgets tightened. The fee ratio for all services fell from 0.72 to 0.66 while the ratio for primary care decreased from 0.66 to 0.59.

Federal Legislation Regarding Medicaid Primary Care Payment Parity

On March 23, 2010, the *Health Care Education and Reconciliation Act* (HCERA) was signed into law as part of the *Patient Protection and Affordable Care Act*. The HCERA included a two-year increase in Medicaid primary care payment rates. The increase applied to CPT codes 99200-99450 and also covered care provided by certain physicians and other clinicians. The pay bump also included language and funding to increase payments for vaccine administration. As a result of these previsions, from 2013 to 2014, federal funding closed the gap between lower Medicaid primary care payment rates and Medicare rates. This primary care support applied to Medicaid fee-for-service and managed care and was intended to encourage primary care physicians to care for existing and newly enrolled Medicaid patients. The federal government covered 100% of the cost of the increase. Funding was not reauthorized by Congress in 2014 which led to support for the federal pay bump ending in December of that year. States were then left to decide whether they would revert to lower payment levels or continue at the higher level despite the lack of continued federal support.

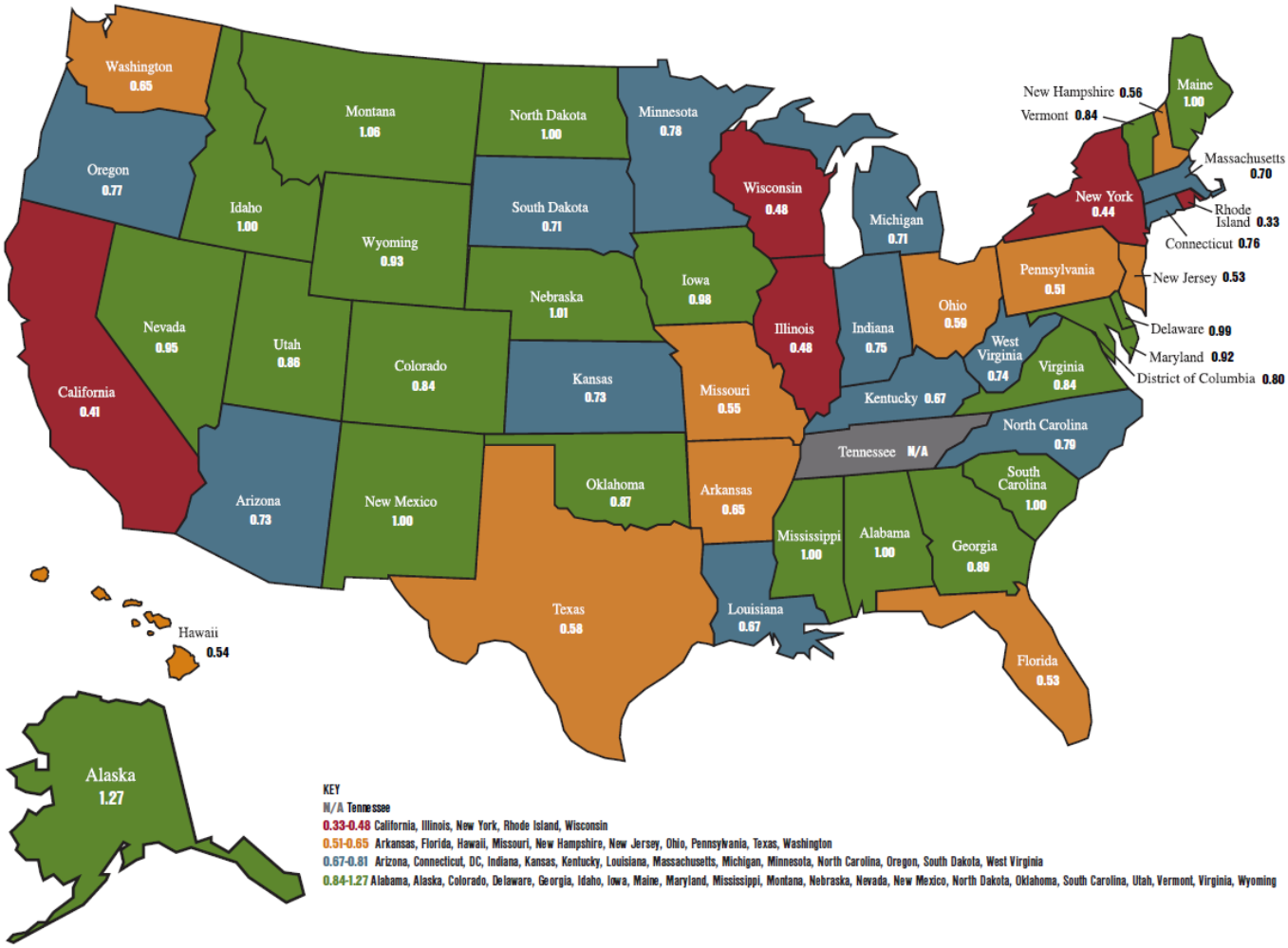
State Extension of Medicaid Primary Care Payment Parity

Following the end of the primary care pay bump, most states rolled back Medicaid physician rates for primary care services to 2012 levels. As of the most recent data available from July 2016, 21 states had continued the primary care pay bump either fully or partially.

Medicaid-to-Medicare 2016 Fee-for-Service Rates

AAFP Headquarters
11400 Tomahawk Creek Pkwy.
Leawood, KS 66211-2680
800.274.2237 • 913.906.6000
fp@aafp.org

AAFP Washington Office
1133 Connecticut Avenue, NW, Ste. 1100
Washington, DC 20036-1011
202.232.9033 • Fax: 202.232.9044
capitol@aafp.org



The Medicaid-to-Medicare fee ratio in 2016 was 0.72 for all services and 0.66 for primary care. Compared to pre-pay bump levels, the gap between Medicaid payment and Medicare payment parity has decreased slightly on a national level. As in 2012, Rhode Island has the lowest fee ratio for both all services and primary care services, at 0.38 and 0.33 respectively. Alaska, Montana, and North Dakota have the highest fee ratios. Five states (California, Illinois, New York, Rhode Island, and Wisconsin) pay Medicaid primary care fees at a rate of less than 50% of Medicare primary care fees while another 18 states paid at a rate less than 75%. Medicaid fees increased across all services by 4.1% and within primary care by 5.1% between 2014 and 2016.

States have taken varying approaches to improving Medicaid payment. In Maine, enhanced funding for Medicaid for primary care services was continued in the 2016-2017 Biennial Budget. The budget included almost $15 million to make up for expired federal funds and reimburse primary care providers at 100% of Medicare rates. Georgia also passed increased Medicaid reimbursement rates for primary care services through the state budget. Select primary care codes for Medicaid services in Georgia were increased to 100% of 2014 Medicare levels. Finally, following electing to voluntarily extend the pay bump in 2015, Alabama eliminated enhanced primary care reimbursements for Medicaid services. A special session in September 2016 then passed a bill that used a portion of the state's share of the 2010 Gulf oil spill settlement to restore Medicaid parity for primary care physicians through 2018.

AAFP Resources

- Joint Letter to Congress Supporting Medicaid Parity Extension