

## Office of Health Transformation Reform Other Provider Payments

### Executive Budget Proposal and Impact:

The Executive Budget makes other provider payment changes that save \$165 million (\$61 million state share) over the biennium. These savings are in addition to changes described separately for health plans, hospitals, nursing facilities, and home and community based long-term services and supports.

### PHYSICIAN

- **Primary care rate increase.** The federal government requires states to raise Medicaid fees at least to Medicare levels for family physicians, internists and pediatricians for many primary care services. Physicians in both fee-for-service and managed care will get the enhanced rates. In Ohio, primary care physicians will see their Medicaid payments increase 82 percent on January 1, 2013, and receive an estimated \$700 million more in Medicaid payments over the two-year period ending December 31, 2014, all of which is paid for by the federal government. The physician fee increase does not appear as an additional state share cost in the Executive Budget.
- **Physician services.** Currently, Medicaid reimburses physicians, advanced practice nurses and physician assistants the same amount for some services, regardless of where the service is delivered. The expenses actually incurred by the provider, however, vary depending on the site of the service. The provider bears the full practice expense for services performed in the office setting, but not in hospitals, ambulatory surgery centers, and nursing facilities – these facilities bill the practice expense separately. Medicaid currently enforces “site differential payments” when some services are performed in a hospital. The Executive Budget extends site differential pricing to a greater number of settings and a broader array of covered services, consistent with federal Medicare policy. This provision will save \$12.2 million (\$4.5 million state share) over the biennium.
- **Close payment loopholes.** Since 1992, the Holzer Clinic has been reimbursed at 140 percent of the Medicaid physician fee schedule. The enhanced reimbursement was originally considered appropriate because the Holzer Hospital did not provide outpatient hospital services, and the enhanced payment approximated what the total payment amount would have been had claims for service been billed by both the hospital and the physician group practice. The enhanced rate supported one rural clinic, but over time the Holzer Clinic expanded to ten new delivery sites and expansion continues, with every new site receiving enhanced reimbursement. Continuance of this payment methodology and the competitive advantage it provides cannot be justified in the current environment – no other physician group besides Holzer has ever qualified

for this payment methodology since it was implemented. The Executive Budget eliminates the enhanced reimbursement rate for the Holzer Clinic Network and reverts payment to the standard Medicaid physician fee schedule beginning January 1, 2014. This provision will save \$3.0 million (\$1.1 million state share) over the biennium.

- **Radiology.** Currently, Medicaid reimburses imaging services the same amount, regardless of whether single or multiple procedures are performed at the same session. The practice expense cost of providing multiple procedures to the same patient at the same time is less than the cost of providing these same procedures individually at different times to different patients. In recognition of this practice expense differential and consistent with federal Medicare policy, the Executive Budget reduces reimbursement amounts for physician offices and independent diagnostic testing facilities when two or more imaging procedures are performed by the same provider on the same patient on the same day. Full reimbursement is made for the imaging procedure with the highest reimbursement rate, but reimbursement for the technical component of the second and each subsequent procedure is reduced by 50 percent. This provision will save \$5.0 million (\$1.9 million state share) over the biennium.

## PHARMACY

- **Specialty pharmacy.** The Executive Budget will add a pharmacist to Ohio Medicaid to monitor utilization and implement cost containment strategies related to specialty pharmaceuticals, which include high-cost biological medications – \$34,500 per person per year on average – for serious chronic conditions such as hemophilia, cancer, and rheumatoid arthritis. Appropriate use of these products can slow or halt disease progression, preventing further disability and other medical costs. Specialty pharmacies that dispense these drugs can provide additional clinical and administrative support to ensure the drugs are used at the proper point in therapy, administered in the best setting, and used consistently and correctly by the patient. The Executive Budget gives Ohio Medicaid the tools it needs to work with specialty pharmacies to contain costs, including contracting with a limited number of pharmacies to ensure high quality service and clinical support or implementing minimum standards that current participating specialty pharmacies must follow. This provision will save \$4.8 million (\$1.8 million state share) over the biennium.
- **E-prescribing.** The Executive Budget provides resources to contract with a private sector vendor to update connections between the Medicaid pharmacy claims system and eligibility files to e-prescribing applications. By providing claims history to Medicaid providers, the prescriber can quickly find out what prescriptions the patient has filled to ensure that duplicative therapy and drug interactions can be avoided. Providing drug coverage information through the e-prescribing application will enable the prescriber to choose a medication that is covered without prior authorization so there is no delay in the patient beginning therapy. The resulting efficiency and improved quality in prescribing will save \$2.2 million (\$814,000 million state share) over the biennium.

- **Improve survey compliance.** Since 1986, the federal government has required states to conduct a survey of pharmacy cost of dispensing biennially. However, there is no requirement that pharmacy providers participate. Many pharmacies, particularly chain pharmacies, have said they only participate in surveys that are required by law. The 2011 survey had a 17 percent response rate. The information from the survey is important for any future changes in dispensing fees the state wants to consider, so the budget makes participation a requirement in law. This provision is budget neutral.

## MEDICARE PART B

- **Cost sharing.** For consumers enrolled in Medicaid and Medicare, states have the option to pay the patient's Medicare cost sharing amount (typically 20 percent) or reimburse up to the Medicaid maximum amount. Ohio has elected to only reimburse up to the Medicaid maximum for institutional categories of services and for services paid by a Medicare Advantage plan. However, there is an exemption for dialysis clinics and non-institutional providers. These providers are paid the full Medicare cost sharing, which can result in the provider being paid more than the Medicaid maximum amount. The Executive Budget authorizes Ohio Medicaid to reimburse only up to the Medicaid maximum for all remaining Part B categories of service, not including physician services. This provision will save \$97.2 million (\$35.9 million state share) from non-institutional services and \$40.0 million (\$14.8 million state share) from dialysis clinics over the biennium.

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