To: House Health Care Committee
From: Jessa Barnard, Vermont Medical Society, jbarnard@vtmd.org
Date: January 24, 2024
RE: H. 721, An act Relating to Expanding Access to Medicaid and Dr. Dynasaur

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Good morning and thank you for the invitation to testify regarding H. 721. I am the Executive Director of the Vermont Medical Society, Vermont's largest physician and physician assistant membership association, representing approximately 2900 physicians and PAs from around the state, both primary care and specialists, and at all practice settings.

In 2020, our Board of Directors reaffirmed the Vermont Medical Society's principles of health reform and statement of need for universal coverage.[1] The statement reads, in part:

RESOLVED that the Vermont Medical Society reaffirms its support as stated in 1992, 2003 and 2005 for universal access to comprehensive, affordable, high quality health care centered on an increased investment in primary care, reduced administrative burden and public health interventions that address the social determinants of health.

Based on our position in support of universal coverage, the VMS Board has adopted a position in favor of Section 9 of the bill, expanding the MSP program, which would make traditional Medicare coverage more affordable for Vermonters**.**

Our Board also stated an interest in exploring expansion of the Medicaid program for more Vermonters. In concept, more Vermonters covered by Medicaid could result in administrative simplification and help provide Vermonters with coverage that is more comprehensive and with lower out-of-pocket costs than commercial coverage.

However, our Board had a number of questions and concerns with the proposal to expand Medicaid coverage and believe further study and analysis of these issues is critical before moving forward with expansion. The questions include:

What coverage do these individuals already have? How many will be added in each of the expansion categories (young adults up to age 26, pregnant individuals, adults ages 26-64)? Are they uninsured or insured through employment-based coverage or QHP plans? Would individuals have the choice to not select employer-based coverage and receive Medicaid? What impact would switching from current coverage to Medicaid have on the federal dollars available to Vermont, potential cost sharing assistance and reimbursement rates to providers?

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1 https://vtmd.org/client_media/files/2020%20Reaffirming%20VMS%20Principles%20of%20Health%20Reform%20%20Statement%20of%20Need%20for%20Universal%20Coverage_Final.pdf

The VMS Statement on Health Reform goes on to lay out principles necessary for VMS to support any universal health coverage system, including a single-payer program or government-sponsored public option, including: **"Medical payments and reimbursement for care must be sufficient to ensure access to necessary care, especially primary care, and must expand beyond current Medicare rates."**

We appreciate that the bill (section 5) increases primary care rates to 125% of Medicare rates. However, this would only be effective as of January 1, 2026 while the coverage expansions for young adults and pregnant individuals would take effect January 1, 2025. Further, Section 13 of the bill calls for a study of reimbursement rates for specialty care services with a report back by 2025, while specialists would already be seeing an expanded population starting at that same time. However, our Board does not believe that primary care and specialty care should be separated and urges a comprehensive analysis of reimbursement rate options for both primary and specialty care before coverage is expanded.

We already know access to specialty care in Vermont is a problem for patients. The AHS, GMCB and DFR report on wait times from 2022[2] found:

- An average of 100+ days between PCP and follow-up specialist visits for chronically ill patients between 2017 and 2019
- Dermatology, neurology, psychiatry and endocrinology services have the longest waits, depending on analysis
- Certain specialties already accept Medicaid insurance at lower rates, including dermatology and psychiatry.

Inadequate reimbursement rates for both specialty care and primary care could further exacerbate access issues, including wait times for services, and threaten the viability of Vermont's health care practices. So, what would make an adequate reimbursement rate?

Before coverage expansion takes place, the state should complete an assessment of: how other state public option/Medicaid buy-in programs set rates, what those rates are, and impacts of those rates on provider participation and patient access to care; what, if any, insurance coverage patients coming onto this program already have and an average reimbursement rate under that coverage; costs to the State for reimbursing at 125%, 145% and 160% of Medicare for various provider types – both primary care and specialty care; and a comparison to and assessment of the pros and cons of benchmarking rates based on average commercial rates vs a Medicare fee schedule. Such an analysis could build off of similar analyses of the "Dr. Dynasaur 2.0" proposal.[3]

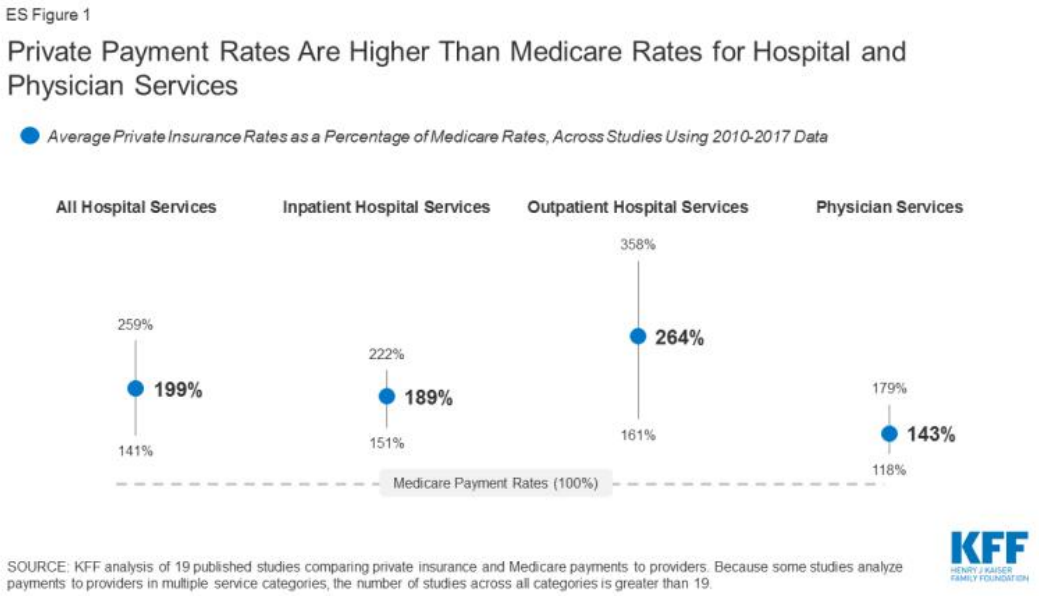
These recommendations are based on the following data points:

Medicaid is currently the lowest payer for most services. While Vermont Medicaid currently reimburses at 110% of Medicare rates for certain primary care services provided by specific provider types the remainder of services including all specialty care services are reimbursed at

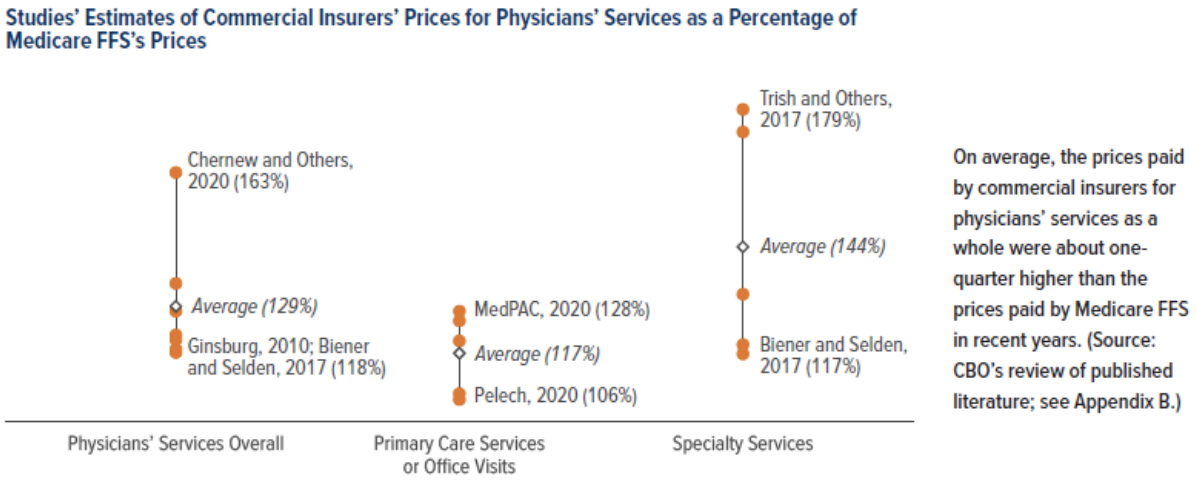
[2] https://dfr.vermont.gov/sites/finreg/files/doc_library/vermont-wait-times-report-021822.pdf

[3] https://www.rand.org/pubs/research_reports/RR1743.html. This report modeled Medicare, Commercial and mid-point rates.

around 85% of Medicare. And, Medicare rates are far below commercial. Commercial insurance rates are on average 143% of Medicare rates for physician (professional) services – with ranges depending on the analysis from 118 -179%. According to a recent CBO analysis, they are approximately 117% for primary care services and 144% for specialist services. (Note that this is only discussing the professional fee schedule for physician and other clinical services and does not include hospital or FQHC fee schedules.)



Source: https://www.kff.org/medicare/issue-brief/how-much-more-than-medicare-do-private-insurers-pay-a-review-of-the-literature/

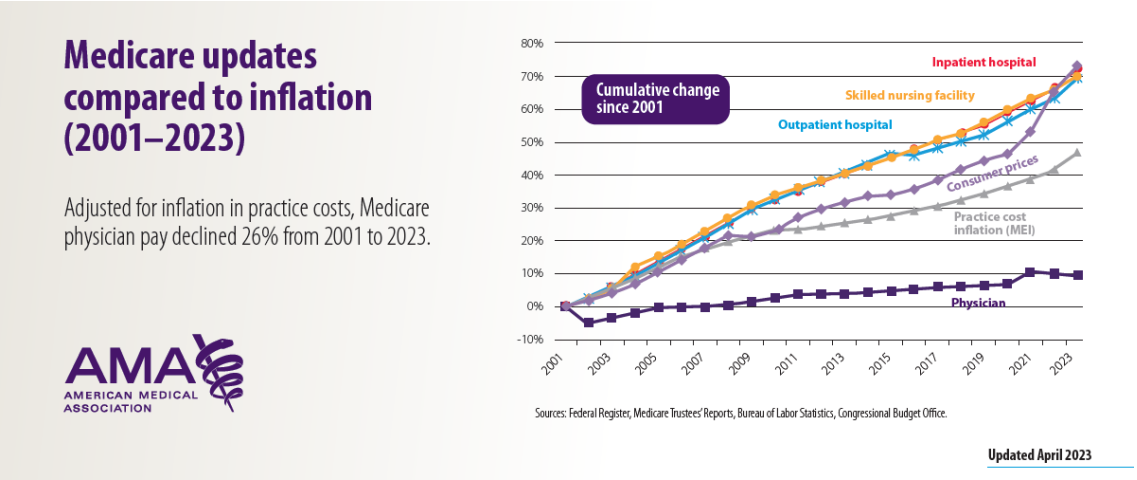


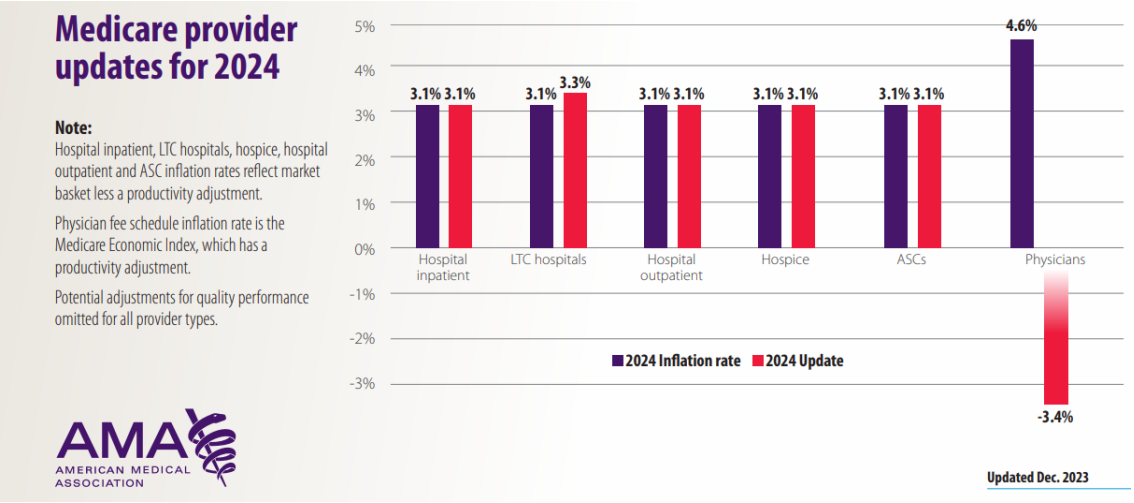
Source: January 2022 CBO Report: *The Prices That Commercial Health Insurers and Medicare Pay for Hospital Physicians' Services*

Other state public option programs have acknowledged that reimbursement rates must be set closer to commercial rates to ensure access for patients and participation by providers. For example, in Washington State, aggregate provider reimbursement was set at a cap of 160% of Medicare rates, with reimbursement floors for primary care physicians at 135% of Medicare. Colorado appears to have set rates at 155% of Medicare with variations by hospital type. And a

study in Oregon under the analyzed carrier-led model, provider reimbursement would be benchmarked to a state-determined blended rate, estimated at 145% of Medicare.[4]

VMS also believes that more analysis is needed before determining that Medicare is the correct benchmark for setting rates. As VMS has pointed out to DVHA and this Committee for years, while basing a Medicaid fee schedule on the Medicare professional fee schedule imports consistency into fee schedule updates, such as Medicare's changes to how specific billing codes are valued, Medicare's fee schedule process is flawed. The Medicare PFS is the only Medicare fee schedule that does not receive an inflationary adjustment. Adjusted for inflation, this means that Medicare payments under this fee schedule have declined 26% from 2001 to 2023. Medicare has also had year over year real fee schedule cuts, for example professional services were just cut by 3.4% for 2024. For this reason, VMS also urges an analysis of benchmarking rates to a commercial insurer rate, as is being proposed for the dental fee schedule in section 6.





Thank you for considering our feedback on H. 721. We would look forward to working with the Committee or any other experts on the analysis suggested above. Please don't hesitate to reach out with any questions to jbarnard@vtmd.org.

[4] https://www.chcf.org/wp-content/uploads/2021/03/StatePublicOptionsComparingModelsAcrossCountry.pdf