

Date: February 22, 2023
To: House Health Care Committee
From: Susan Ridzon, HealthFirst Executive Director
Re: Medicaid Rate Adjustments



Thank you for the opportunity to testify on the proposed Fiscal Year 2024 Medicaid budget that includes no increase for the physician fee schedule (RBRVS or Resource Based Relative Value Scale fee schedule) and takes effect July 1, 2023. We are commenting on behalf of our 62 physician-owned primary care and specialty care practices located across ten counties in Vermont.

Summary: Medicaid aligns their fee schedule to reimburse practices at less than or equal to 100 percent of Medicare. In 2023, Medicare cut the Medicare Physician Fee Schedule by 2.5 percent. Thus, health care practices are projected to see flat or declining reimbursement rates for both Medicaid and Medicare. This is problematic because practices are already struggling to remain financially solvent, and Medicaid is already one of the lowest payers by approximately 30 percent. We urge you to include at least a 3.8 percent¹ inflation increase in the FY24 RBRVS fee schedule, applicable to both primary care and specialty care practices.

Supporting Information:

- Twelve (12) of HealthFirst's independent practices have closed since 2017, with the primary cause being financial insolvency due to expenses outpacing reimbursements. Every independent practice closure negatively affects access to high value care.
- Independent practices are particularly vulnerable because they have little to no negotiating power and their only source of revenue is payer reimbursement (unlike FQHC and hospital-owned practices that have grants, 340b programs, and other sources of income).
- The consumer price index, reflecting real expenses facing medical practices, rose 6.5 percent from December 2021 to December 2022
- For OneCare participating primary care practices: BCBSVT's exit from the One Care Vermont contracts caused an immediate end to \$2.50 per member per month primary care payments and potentially an end to an additional \$3.50 per member per month payment starting in July.
- For primary care practices: In AHS' most recent Recruitment and Retention grant program, only employees of primary care practices qualify for payments. Physicians are not eligible.
- Federal loan forgiveness programs do not apply to clinicians working at independent practices which means independent practices can only attract clinicians with reimbursement packages derived from payer reimbursements. Any cut to reimbursements, and reimbursements that do not keep pace with expenses, further limits the ability of practices to competitively attract workers.

In summary, we recommend at least a 3.8 percent inflation increase in the FY24 RBRVS fee schedule, applicable to both primary care and specialty care practices. This level of increase will help practices to remain financially solvent in the face of increasing financial pressures, helping to preserve current access to care.

¹ The 3.8 percent increase is equal to the 2022 Medicare Economic Index (MEI), a measure used by Medicare to measure practice cost inflation.