

# Issue At A Glance:

## Medicaid Reimbursement Rates

*Medicaid is a federal program aimed at providing healthcare coverage to low-income Americans. Compared to private insurance and Medicare, Medicaid consistently has lower reimbursement rates, affecting provider participation in this vital program. This brief will dive into this issue, highlighting its effect on health equity.*

### Introduction

In existence since 1985, Medicaid is a public healthcare insurance program for low-income Americans that operates on a federal-state partnership.<sup>1</sup> Currently, over 80 million people are enrolled in Medicaid in all 50 states and D.C., with more than ten million in California alone. Research shows that the population covered under Medicaid has far better access to care when compared with uninsured individuals. Moreover, Medicaid coverage of low-income pregnant women has led to a dramatic decline in infant mortality.<sup>1</sup>

Nonetheless, Medicaid faces many challenges, barriers, and issues that need improvement. One such issue is the challenge of finding enough providers who accept Medicaid. With lower rates paid to providers compared to private insurance, fewer physicians accept Medicaid.<sup>2,3</sup> This, in turn, increases wait times for Medicaid patients when trying to schedule an appointment.<sup>3</sup>

This brief will explore the issue of Medicaid reimbursement rates, how they affect provider participation in the program and why they lead to health inequities.

### Relevant Statistics

<b>80 Million</b>	Individuals enrolled in Medicaid in the United States <sup>1</sup>
<b>31.6 Million</b>	Uninsured individuals in the United States <sup>1</sup>
<b>90%</b>	Physicians who accept private insurance <sup>1</sup>
<b>85%</b>	Physicians who accept Medicare <sup>1</sup>
<b>72%</b>	Physicians who accept Medicaid <sup>1</sup>

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# How Medicaid is Financed

The payment for the services covered by Medicaid comes from two sources: the federal government and the state government. While the federal government has set standards for all states, the state administrators have the flexibility in determining who will be covered, what services are covered, and what methods are used for payment.<sup>1</sup>

In general, Medicaid covers all Americans who meet eligibility requirements, and the federal government guarantees states matching dollars without a cap for qualified services provided to the eligible enrollees.<sup>1</sup> A specific formula called the Federal Medical Assistance Percentage (FMAP) is used to determine the match rate, and it is calculated annually. At least a 50% match rate is guaranteed to the state, with a higher federal rates given to poorer states. For example, the FMAP for fiscal year 2022 for California was 50.0% while it was 74.68% for West Virginia.<sup>4</sup> Of note, this rate was temporarily boosted during the pandemic.<sup>1</sup>

The federal rules do not specify the method or the amount to be paid to physicians; it only requires the Medicaid payment policy to be economic and efficient.<sup>2</sup> States, in general, try to balance the rates in a way that would be reasonable to the costs, while also being attractive to providers. Nevertheless, most providers question the adequacy of the Medicaid payments, especially since there have been several reductions in Medicaid reimbursement rates over the years.<sup>2</sup>

Physicians have previously contested the reduction in rates in the federal court. However, the U.S. Supreme Court in 2015 decided in *Armstrong v. Exceptional Child Center, Inc.* that “Medicaid providers do not have the right to sue medical agencies regarding payment rates.”<sup>5</sup> Unfortunately, the low payment rates for physician services and other healthcare services raise concerns about their effect on provider participation in Medicaid.<sup>5</sup>

## MediCal: California’s Medicaid Program

MediCal covers 4 in 10 children in California and over two million seniors and people with disabilities. This program is an important source of health coverage for children and adults in California. In total, 13 million Californians, which equates to one third of the population, relies on MediCal. These numbers show the vital role Medicaid plays in facilitating health care access for vulnerable populations.<sup>9</sup>



# Effects of Low Reimbursement Rates

## Low Provider Acceptance of Medicaid

Currently, 71% of physicians in the United States accept Medicaid compared to 90% that accept private insurance. Even when compared with Medicare, another government-funded healthcare program that is for the elderly without income restrictions for qualification, surveys have found that physicians are more likely to accept Medicare patients than Medicaid patients.<sup>6</sup> This is not surprising since, on average, Medicaid paid physicians about 72% of what Medicare paid in 2016.<sup>3</sup>

Multiple studies and surveys indicate that physicians attribute lower payment rates to their lack of participation in Medicaid. In a study conducted by Medicaid and CHIP Payment and Access Community (MACPAC), Medicaid reimbursement rates across different states were compared to the percent of physicians participating, and the resulting data showed that higher reimbursement rates were associated with higher acceptance rates by physicians.<sup>7</sup>

At 18 dollars an office visit, the state of California currently has one of the lowest reimbursement rates.<sup>8,9</sup> Therefore, it is not surprising that the percentage of California physicians that accept MediCal patients has dropped over the years even as the number of MediCal enrollees has increased.<sup>9</sup> Physicians are so underpaid that they are accepting Medicaid patients at a loss, resulting in providers no longer accepting Medicaid patients.<sup>9</sup>

In fact, the gap in providers who accept Medicaid becomes more apparent when it comes to specialty care. In psychiatry, for example, only one-third of psychiatrists accept Medicaid patients compared to the two-thirds who accept Medicare patients.<sup>3</sup>

## Impact on Health Equity

Not having enough providers accept Medicaid results in inequity in access to care where low-income populations are limited in their choices of providers and of the services that they can receive. According to data from the National Health Interview Survey, for every \$10 increase in Medicaid reimbursement per visit, parents were 25% more likely to report no difficulty finding a provider for their children who are insured by Medicaid compared to the mean.<sup>7</sup> The same \$10 increase in Medicaid reimbursement per visit was associated with an 1.1% increase in the probability that a respondent reported very good or excellent health.<sup>7</sup>

The challenge of finding providers that accept Medicaid patients is amplified when it comes to specialist care, significantly extending the wait time to see a specialist. For example, some Medicaid patients have to wait two years for an appointment with a rheumatologist.<sup>9</sup> Some patients have to travel 50 miles to see a specialist because none of the providers in their area accept Medicaid.<sup>9</sup> All these barriers mean that Medicaid patients are more likely to postpone needed care, resulting in inequities in health outcomes.<sup>9</sup>

## Conclusion

Medicaid has served as a critical avenue through which vulnerable Americans could gain healthcare coverage, improving health and decreasing mortality. Nonetheless, the limited number of physicians and other healthcare providers accepting new Medicaid patients poses a challenge as it limits access to providers and increases the wait time for certain specialists, delaying needed care and resulting in health inequities.

As the data suggests, increasing the Medicaid reimbursement rates paid to providers would increase their acceptance of new Medicaid patients and reduce wait time. This, in turn, will increase access to care and improve the health of those who rely on Medicaid for health insurance coverage. As such, federal and state policymakers should thoughtfully examine the issue of low reimbursement rates for Medicaid and appropriately address the issue to help our nation take a step towards health equity.

## References

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## Did you know?

Medicaid covers:

- 83% of low-income children<sup>1,4</sup>
- 48% of children with special health care needs<sup>4</sup>
- 45% of non-elderly adult with disabilities<sup>4</sup>



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