

Medicaid Physician Payment

By

Linda Tavener

Medicaid is a Federal-State Partnership.



States have flexibility to set payment rates for physician and other licensed practitioner services within broad Federal guidelines.

Payments must be consistent with efficiency, economy and quality of care and sufficient to enlist enough providers so that care and services are available under the plan to the same extent available to the general population (Equal Access Provision).

For professionals not enrolled as managed care providers, states generally pay pursuant to a state-developed fee schedule.

Medicaid Fee Schedules

- Fee schedules can be statewide or can vary by locality.
- In general, the Medicaid fee schedule should be the same for public and private community providers of the same service in the same locality.

Medicaid Fee Schedules- continued

- Some, but not all, states, base fee schedules on a percentage of Medicare rates.
- Some pay up to the Medicare rate for some services; some exceed the Medicare rate, such as for University-affiliated professionals or those employed by safety net hospitals.

Medicaid Fee Schedules - continued

- Rates are often designed and adjusted to reflect state budget constraints.
- States can pay higher rates for particular professionals or for particular services/CPT codes.
- Often, pediatric and obstetric services/codes, populations of particular concern in Medicaid, are paid higher rates.

Medicaid Fee Schedules - Continued

- States often pay higher rates in rural or underserved areas to assure access.
- States may also negotiate and pay higher rates to particular specialists whose services are needed but who are unwilling to accept state Medicaid fee schedule rates (e.g., transplant specialists).

Physician UPL Payments

- Medicaid has upper payment limits for inpatient and outpatient hospital and clinic services.
- There is no specific UPL for physician payments.
- Upper limits of payment must be in accordance with requirement that payments be efficient and economical.

Physician UPL Payments - continued

- Over the course of the last two years, states have requested CMS approval to pay higher rates to professionals in group practices affiliated with university teaching hospitals and to hospital-based physicians employed in public safety net hospitals.
- Linked to funding of the Medicaid program. States can legally transfer money from state university teaching hospitals and public hospitals back to the Medicaid agency as the State share for Medicaid services.

Physician UPL Payments - continued

- Typically, a state will increase rates by adding a supplemental payment to the base rate. However, the supplement may not actually be used to increase the payments made to the providers of the services.
- CMS has set a UPL for these enhanced payments equal to the average commercial rate paid to the same providers for the same services.