

Exhibit No. 1Date hearing before Senate 2-2-07Bill No. SB 354

Medicaid conversion factor increase legislation, SB-354, hearing before Senate 2-2-07  
Health and Human Services Committee, Friday, February 2, 3 PM, State Capitol, Room 317A.

Good afternoon. I would like to thank the committee for the opportunity to speak in support of SB 354. My name is Kurt Kubicka and I am a practicing family physician in Helena, MT. I have now practiced in Montana for twelve years, initially with the National Health Service Corp in Forsyth and since 1997 as a member of a large multi-specialty partnership. I am a past president of the Montana Medical Association and have served as chair of MMA's committee for legislation and litigation since 1999.

Montana Medicaid reimburses physician services based on Relative Value Units (RVUs) as defined in Montana Administrative Rule 37.85.212. For all services for which a Medicare RVU exists, Montana Medicaid uses the Medicare RVU. Nearly all physician services have applicable Medicare RVUs. Montana Medicaid then applies a universal conversion factor to the RVU for services provided. In other words, a service's RVU value is multiplied by the conversion factor to determine Montana Medicaid payment to a physician. Montana Medicaid's current conversion factor is \$32.59. By comparison Medicare's conversion factor is

\$37.8975 and both Montana BCBS and New West use a conversion factor of \$56.57. There are several caveats to the RVU system employed by Montana Medicaid. Anesthesia services are reimbursed on 'anesthesia units' which incorporate both time units and base units. Anesthesia units are then multiplied by an anesthesia specific conversion factor. Obstetrical services and psychiatric services have a secondary policy adjuster. The calculated payment for obstetrical services based on RVU and conversion factor is multiplied by a policy adjuster of 1.29. The policy adjuster for psychiatric services is 1.02. Thus, obstetrical and psychiatric physician services are marked up by 29 and 2 percent respectively. Rather than a policy adjuster, well child service codes simply receive a \$14.99 markup per visit.

Montana Medicaid asserts that 'aggregate' payments to physicians are at 95% of Medicare reimbursement. The present Montana Medicaid conversion factor is at 86% of the Medicare conversion factor and therefore Montana Medicaid reimburses at 86% of Medicare for most services. However, Montana Medicaid does provide higher reimbursement for anesthesia, obstetrical, psychiatric and well child services and thus, the aggregate assertion. The utility of comparing Montana Medicaid and Medicare reimbursement for obstetrical and well child services is dubious. Arguably, even in aggregate, apples are not oranges.

A 1999 survey of Montana primary care physicians defined as family practitioners, general internists, obstetrician-gynecologists, and pediatricians indicated that 18% restricted the extent to which their practices provided services to Medicaid recipients. A comparable survey in 2002 indicated that such restricted practices had increased to 27%. In 2006, 39% of Montana primary care physicians simply did not accept new Medicaid patients.

Still, owing to a determination to provide care, a substantial portion of Montana physicians concede to provide deep discounts to DPHHS for the services which they provide to Medicaid recipients. By abrogating its responsibility to Montana's neediest and relying on the benevolence of Montana physicians, DPHHS encourages further market aberrations by inducing physicians to cost shift a portion of practice overhead to those Montanans with private health insurance and more egregiously to those Montanans without health insurance altogether.

A final gross inequity has evolved in differential Montana Medicaid reimbursement to provider based facilities, essentially hospital owned physician practices. Total Montana Medicaid reimbursement to a physician in private practice for a routine office visit at present is \$41.96. Total Medicaid reimbursement to a pro-

vider based facility is \$77.88. DPHHS has failed to provide the Montana Medical Association with a defensible rationale for this enormous reimbursement inequity.

DPHHS has proposed legislation in the 2007 session to fix minimum aggregate Medicaid reimbursement at 98% of Medicare. It is exceedingly unlikely that such a provision will secure access to care for Montana Medicaid patients.

From 2001 to 2007 the federal Medicare conversion factor actually fell from 38.2581 to 37.8975. Anchoring our Montana Medicaid reimbursements to declining federal Medicare reimbursement will do nothing to promote physician participation in Montana Medicaid. Consequently, Montana Medical Association's Board of Trustees has unanimously resolved that legislation be developed for the 2007 legislative session to mandate that the medical and anesthesiology Medicaid conversion factors for physician reimbursement reflect real market value for services rendered and that the current policy adjusters for obstetrics, psychiatry and well child visits be left unchanged.

Total Montana Medicaid expenditures for physician services in State Fiscal Year 2006 were \$41,324,000. State expenditures made up \$12,102,102 while fed-

eral sources made up the remaining \$29,221,898. By extrapolation, if the Montana Medicaid conversion factor increased to the Montana BCBS factor of \$56.57, then state expenditures would increase by \$8.9 million. Obligatory federal matching payments would increase by \$20.5 million. As physician overhead expenditures would not be substantially affected by this increase in reimbursement this would represent roughly \$29.4 million in new taxable income. This in turn would result in an initial return of approximately \$2.1 million in increased income tax receipts to state coffers. Of course the economic multiplier effect would result in substantially greater overall state income tax receipts, substantially offsetting the initial modest increase in state expenditures.

Senate Bill 354 requires that the Montana Medicaid conversion factor be the weighted average of the conversion factors used by the three largest private health insurance carriers in Montana. Senate Bill 354 further stipulates that in no instance will a policy adjuster be less than one. The Montana Medical Association urges your support of this critical legislation. Senate Bill 354 will assure access to care for Montana Medicaid beneficiaries. Senate Bill 354 will assure that Medicaid reimbursement will reflect the real market value of services ren-

dered. Senate Bill 354 will assure an end to Medicaid cost shifting thus reducing costs for all other insurers and patients.

I thank the committee for your kind attention in this matter.

Kurt T. Kubicka MD

Chair, MMA Committee on Legislation and Litigation

January 30, 2007