

Exhibit No. 4Date 2-2-07Bill No. SB 354

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February 2, 2007

Senate Health and Human Services Committee  
 RE: SB 354 Revise physician Medicaid reimbursement conversion factor

Good Morning Chairperson Weinberg, Vice Chairperson Moss, and honorable Senators of the Committee.

I am Dr. Mike Schweitzer, Chairman of the Board of the Rocky Mountain Health Network. We have about 500 providers including 261 physicians, of which 70 are primary care, and 233 allied health care providers. We have six Critical Access Hospitals and one large hospital in Billings as members. We support S.B. 354.

As representatives from the Montana Medical Association have already pointed out, the conversion factor for Medicaid is lower now than it was in 2001. This is not adjusted for any measure of inflation, which magnifies the discrepancy. As the MMA survey demonstrates, this is causing a significant decrease in physicians willing to care for new Medicaid patients. Although the number of enrollees in Medicaid has been increasing, according to Medicaid's own statistics, the number of physician office visits per 1000 enrollees has declined from 2002 (Appendix A). Hospital based physicians often have no choice in accepting or declining Medicaid patients. But these lower payments increase their difficulty recruiting new providers in a national market place. The lower conversion factors also impact allied health care providers. This all decreases access to care for our Montanans with Medicaid.

We realize that the Medicaid budget is increasing for several reasons including increasing enrollment. However, the percentage of Medicaid dollars spent for physician services represents just 7% (Appendix B Chart 1) of the total budget. Nationally, physician services represent 20% of the health care budget (Barr, 2002). Pharmaceuticals are the fastest growing portion of the Medicaid budget. In 1994, the cost was \$21.6 million. In 2003 the cost of prescription drugs had skyrocketed to \$65.2 million – after the 20% rebate (DPHHS). In 2005 the cost for drugs was over \$80 million (Chart 2). To slow the growth of Medicaid, I suggest drug costs need to be controlled. While you are solving that sticky drug problem, please immediately increase payments to providers by increasing RBRVS conversion factors by the same percentage across the board for all.

Thank you for your efforts here in Helena for all Montanans.

  
 Mike Schweitzer, MD

Chair, Rocky Mountain Health Network Board



**References:**

Barr, D. (2002). *Introduction to U.S. Health Policy*. San Francisco, Benjamin Cummings

DPHHS *Montana Public Health Care Redesign Project June 2004*

<http://www.dphhs.mt.gov/publichealthcaremedicaidredesign/finalredesign.pdf>

*Montana Medicaid Program State Fiscal Years 2005/2006*

<http://www.dphhs.mt.gov/publications/2007medicaidreport.pdf>

**Appendix A**

*Montana Medicaid Program State Fiscal Years 2005/2006*

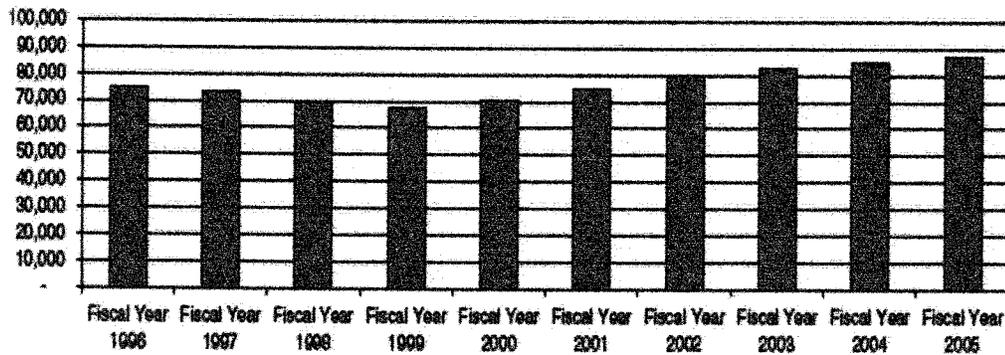
<http://www.dphhs.mt.gov/publications/2007medicaidreport.pdf>

(retrieved January 30, 2007)

	2002	2003	2004	2005
Prescriptions per 1000 enrollees	1,442	1,632	1,581	1,589
Physician office visit per 1000 enrollees	310	315	297	283
Nursing Home days per 1000 enrollees	1,340	1,308	1,239	1,178
Inpatient Hospital days per 1000 enrollees	97	95	90	89
Outpatient Hospital services per 1000 enrollees	180	194	205	207

Physician and Hospital services exclude services where Medicare is the primary payor.

**Average Monthly Enrollment**



These charts exclude the expenditures and enrollment of CHIP and State Fund Mental Health.



**Appendix B**

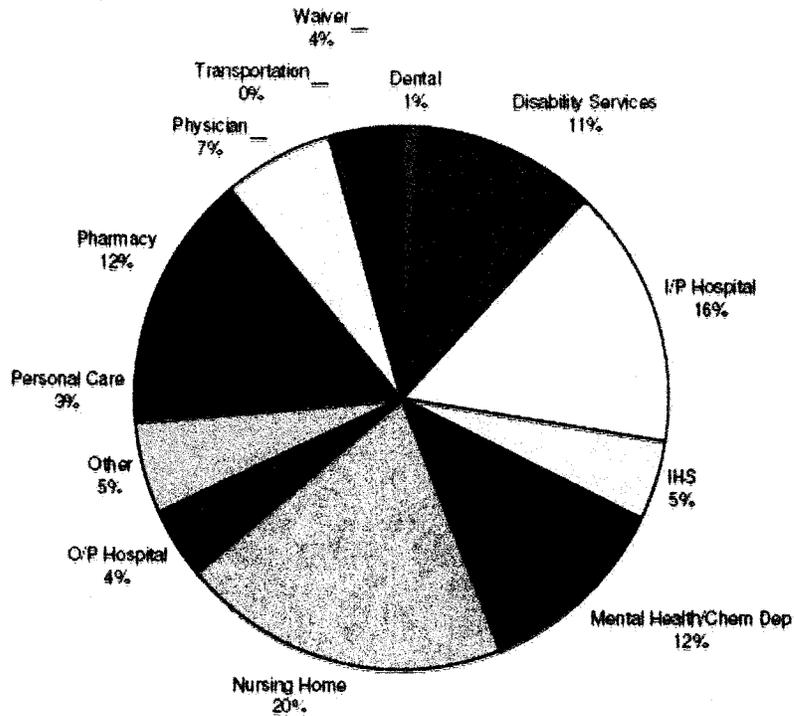
**Chart 1**

*Montana Medicaid Program State Fiscal Years 2005/2006*

<http://www.dphhs.mt.gov/publications/2007medicaidreport.pdf>

(retrieved January 30, 2007)

**SFY 2005 EXPENDITURES by Provider Type**





**Appendix B**

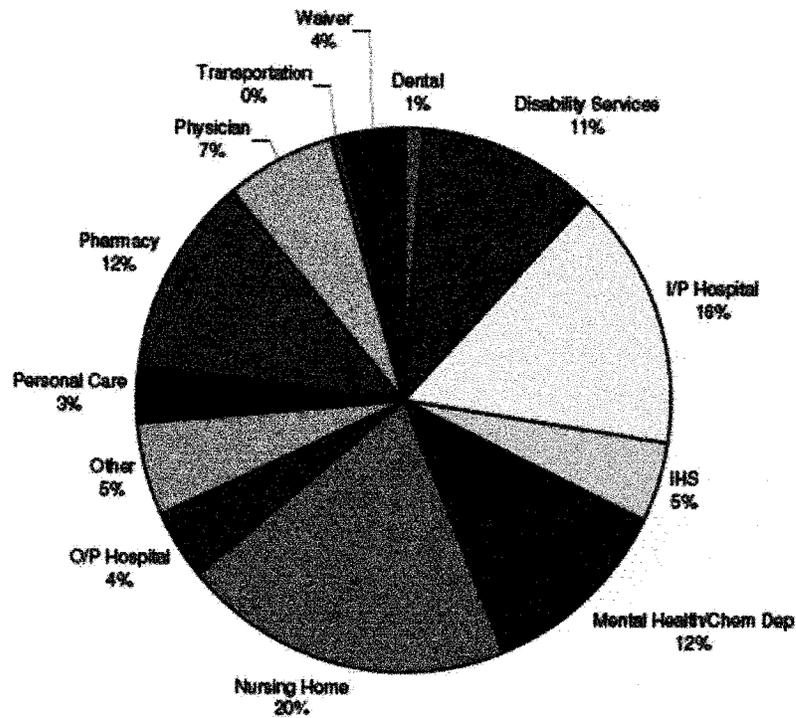
**Chart 1**

*Montana Medicaid Program State Fiscal Years 2005/2006*

<http://www.dphhs.mt.gov/publications/2007medicaidreport.pdf>

(retrieved January 30, 2007)

**SFY 2005 EXPENDITURES by Provider Type**





## Appendix B

### Chart 2

	SFY 2002	SFY 2003	SFY 2004	SFY 2005
Dental	6,807,666	6,657,316	6,647,943	6,961,473
Disability Services	61,284,846	66,420,214	69,704,774	73,853,118
I/P Hospital	72,332,358	68,423,606	90,083,563	105,000,577
IHS	16,000,841	16,949,592	25,897,307	30,701,067
Mental Health/Chem Dep	73,617,290	71,431,106	73,561,663	79,208,913
Nursing Home	110,001,784	117,387,029	130,681,000	134,819,641
O/P Hospital	25,982,987	29,347,636	29,159,522	28,885,395
Other	23,526,817	25,223,479	30,443,834	37,078,444
Personal Care	23,431,095	23,123,157	21,636,577	23,551,534
Pharmacy	56,604,791	73,580,949	76,001,604	80,135,704
Physician	41,307,481	44,039,024	43,772,463	45,437,188
Transportation	3,389,077	3,142,788	2,690,425	3,060,819
Waiver	24,751,756	23,315,381	23,651,739	26,047,912
	<b>539,038,789</b>	<b>569,041,277</b>	<b>623,932,414</b>	<b>674,741,785</b>



**Appendix C**

<http://www.cms.hhs.gov/MedicareMedicaidTrendsHCS/>

**Physician Services MT Medicaid**

Bottom line reading 40, 41, 49, 54, 54, and 65 is Montana as compared to national.

**Physician Services (Millions of Dollars)**

	1999	2000	2001	2002	2003	2004	Average Annual % Growth (1999-2004)
	\$17,352	\$19,093	\$21,585	\$23,764	\$25,442	\$27,433	10.6%
	40	41	49	54	54	65	9.9%

**Other Professional Services MT Medicaid in \$millions**

Bottom line reading 7,8,9,12, and 20 is Montana as compared to national.

	2001	2002	2003	2004	Average Annual % Growth (1999-2004)	
	\$19,093	\$21,585	\$23,764	\$25,442	\$27,433	10.6%
	7	8	9	12	20	13.4%

**Definition:**

**Other Professional Services:**

Covers services provided in establishments operated by health practitioners other than physicians and dentists. These professional services include those provided by private-duty nurses, chiropractors, podiatrists, optometrists, and physical, occupational and speech therapists, among other. These establishments are classified in NAICS-6213 Offices of Other Health Practitioners or roughly the equivalent of SIC 804-Offices and Clinics of Other Health Practitioners. Ambulance services paid under Medicare are also included here.