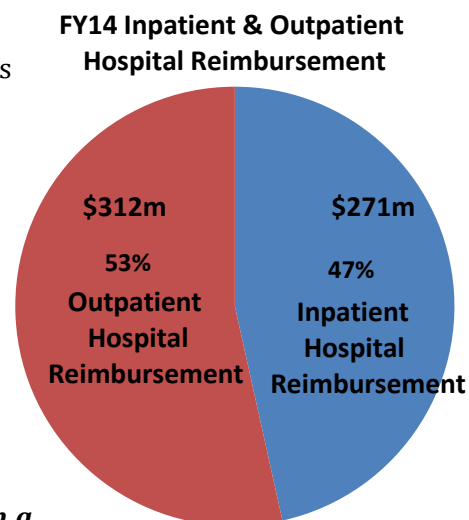


# DHHS FY 16/17 Budget Initiative: Physician Rate Parity

In a report compiled in February 2014, as required by Part MMMM of LD 1509, the Office of MaineCare Services (OMS) reviewed reimbursement of physicians for the purpose of establishing parity in the reimbursement between hospital compensated and non-hospital compensated physicians.

In conducting this review, OMS concluded that, for both MaineCare and Medicare, payment is determined based on where the service is provided.

- When provided at a non-hospital compensated practice:** Single payment – the payment is billed on a form known as the CMS 1500, which reimburses the physician’s time and effort (i.e. “professional services”), as well as a portion of the practice’s overhead costs (e.g., staff, utilities, rent, the capital costs of equipment, etc.).
- When provided at a hospital-compensated practice:** (including services provided on the hospital campus and services provided by a practice owned by a hospital), the payment is split: (1) the professional service is billed on the CMS 1500, while (2) the overhead is paid separately (a Diagnosis Related Group [DRG] payment for inpatient services and an Ambulatory Payment Classification [APC] payment for outpatient) billed on a form known as a UB04.



**Importantly, the CMS 1500 rate for a service provided in a hospital is less than for the same service provided in a private practice. That’s because the hospital receives a separate payment which is billed on a UB04 claim form to cover their overhead. Therefore, the total payment for services is higher for a hospital compensated than a non-hospital compensated practice.**

**Example:**

SERVICE LOCATION	Professional Services Reimbursement	Facility Reimbursement	Cost Settlement	Current Total	Budget Total
Private Physician	\$80	N/A	N/A	\$80	\$80
Provider-based	\$64	\$26	\$8.75*	\$98.75	\$80
FQHC*	N/A	\$135.09	n/a	\$135.09	\$135.09
RHC*	N/A	\$123.10	n/a	\$123.10	\$123.10

\*This is an estimate as each cost settlement amount will differ as each hospital’s costs differ. As cost settlements are not completed on a code by code basis but rather a lump sum payment, this estimate was derived by using a cost to charge ratio multiplied by 83.8% of hospital outpatient costs (as required by MaineCare Benefits Manual) and the settlement amount equals the difference between this figure and what was paid on the CMS 1500.

**MaineCare pays hospitals identically to how Medicare pays, except for one important difference:** At the end of each year, MaineCare settles the cost difference between (a) the total professional services reimbursement payments over the course of the year, and (b) a fixed % of the hospital's cost of employing those physicians. ***That settlement amount results in MaineCare having a greater differential in what it pays for services provided in a hospital compensated versus a non-hospital compensated practice.***

## Initiative

This initiative eliminates the separate facility fee payments that are billed on a UB-04 claim form and paid to hospitals for the services of hospital-compensated physicians. It provides funding to equalize reimbursement between hospital-compensated physicians' professional rates to that of non-hospital-compensated.

This would eliminate the two separate fee schedules of reimbursement and ensure all physicians billing under Section 90 (Physician Services) of the MaineCare Benefits Manual would be reimbursed on the non-facility fee schedule. It also eliminates the cost settlement component of hospital-compensated physicians' reimbursement, which equates to an elimination of debt to be incurred for SFY 18 and beyond, of approximately \$25 million annually (\$9.4 million in General Fund and \$15.6 million in Federal reimbursement), annually.

***Due to the timing of audits associated with cost settlement, savings for the elimination of cost settlement provision included in this proposal will not be achieved until the SFY 18-19 biennium. It is important to note that in order to provide increased reimbursement rates to hospital based primary care physicians; the cost settlement provision must be eliminated.***

## Savings

Year	State	Federal	Total
SFY 16	(\$4,370,309)	(\$7,274,533)	<b>(\$11,644,843)</b>
SFY 17	(\$4,347,020)	(\$7,297,823)	<b>(\$11,644,843)</b>