



Increase Pediatric Medicaid Rates Through a Cost-Neutral Rider

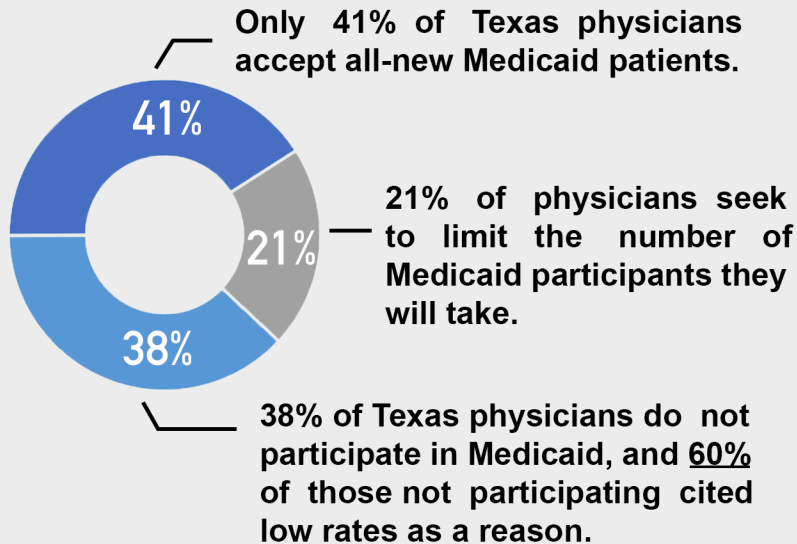
Increased pediatric Medicaid rates will expand access to care, thus reducing Medicaid costs equivalent to or greater than the costs of the rate increase.

A 7% rate increase for physicians serving children ages 0-3 could be implemented on a cost-neutral basis through offsetting savings in other areas.

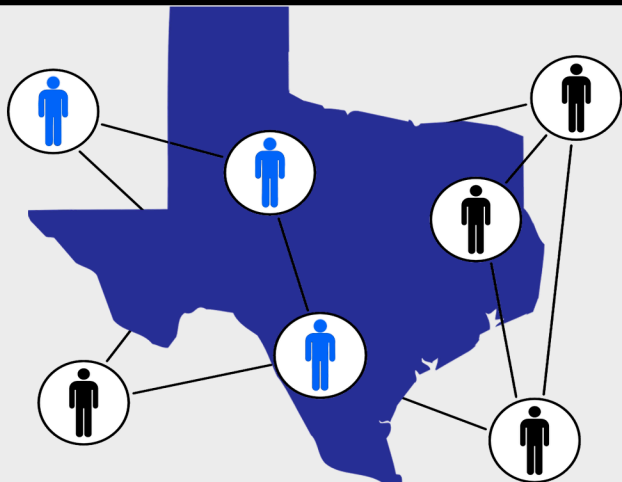
Problem:

- Texas Medicaid has not provided an enduring pediatric physician payment increase in **more than a decade**. Yet like other businesses, physician practice costs increase every year. **This is not sustainable**.
- Inadequate rates reduce the number of physicians willing to take Medicaid.
- Texas has the nation's second highest percentage of physicians who do not accept Medicaid.

Limited Medicaid physician participation results in decreased access to critical care for high-risk babies and fragile children, resulting in poor outcomes and increased costs in Medicaid.



Solution: A targeted rate increase for pediatric physicians will increase the number of physicians willing to take Medicaid patients; incentivize physicians to take a higher number of Medicaid patients; and increase access, improve outcomes, and create savings in the Medicaid program.



- 1% increase in Medicaid:Medicare fee ratio = **0.78% increase in patient acceptance**.
- States with higher Medicaid rates have higher physician participation in Medicaid (**Montana Medicaid rates are the same as Medicare resulting in 90% participation rate of primary care physicians**).
- 20% of non-participating physicians would participate if rates increased 5-10%, and 35% would consider it (Texas Medical Association's 2016 survey).

By focusing on the youngest and most vulnerable Texans, the state will reap financial benefits over the lifetime of the child.

CONCLUSION. Under an extremely conservative analysis, a 7% increase for physician services (including specialty services) for children ages 0-3 would save the state at least \$145 million over the biennium, which is more than double the cost of the increased rate.

POSSIBLE SAVINGS

I. Decreasing Potentially Preventable Emergency Department (ED) Visits: *\$40 million (all funds)*

- Lack of access to community care results in more care sought in costly ED settings.
- Significantly higher rate of ED use by Medicaid patients than commercial payors.
 - > More than 50% of Medicaid babies seek ED care in the first year of their life at an average of 3.3 visits.
 - > National data shows that Medicaid clients use the ED four times more frequently than commercial payors.
 - > **If expanded access to primary and preventive care could reduce the average number of ED visits by 1 per year (from 3.3 to 2.3) for 5% of Medicaid infants, Medicaid would save approximately \$40 million all funds over the biennium. (Only counts savings related to ages 0-1; Improving access for children aged 0-3 would likely increase savings for those age groups.)**

II. Decreasing Potentially Preventable Hospital Admissions: *\$6 million (all funds)*

- Lack of access results in increased inpatient hospital care.
- In 2019, NICU graduates have an 8.2% readmissions rate within the first 30 days of being discharged; Average length of stay was 9.1 days and cost an average of \$23,236 per stay, totaling \$61.9 M.
- **A 5% reduction in these admissions would yield savings of \$6 million all funds over the biennium.**

III. Reduce Initial Length of Stay in Hospital NICUs: *\$62 million (all funds)*

- NICU stays may be extended for kids otherwise ready for discharge if the hospital team cannot identify the needed specialty physicians in their communities.
- 2019: More than 32,000 kids in the NICU for an average of 16 days at \$1,300 per day, totaling \$704.9 M in AF.
- **Getting 5% of these kids out of the NICU just one day earlier would yield \$62 million in all funds over the biennium.**

IV. Decrease in Medical Transportation and Related Costs: *\$37 million (all funds)*

- Children requiring specialty care who cannot access physicians in their communities must travel farther to obtain care.
- **2018:** For more than 32,000 NICU kids aged 0-1, Medicaid spent an average of \$89.5 M on travel and transportation and \$278.8 M on other travel-related services per year in AF.
- **A 5% reduction in these costs would yield \$37 million in all funds savings over the biennium for kids aged 0-1; Improving access for kids aged 0-3 will extrapolate the savings.**

