



State Funding for Medicaid and FAMIS Providers

Fails to Cover the Cost of Care — Further Cuts Would Endanger Access

Every day, hospitals, physicians, and nursing facilities care for Medicaid patients, and are paid less than it costs to provide the care. Some of the burden of these unfunded costs is shifted to commercially covered and self pay patients, driving up costs for businesses. However, much of it goes uncompensated, forcing providers to limit the Medicaid and uninsured patients they treat. Virginia needs to hold the line on reductions to Medicaid and FAMIS providers, and ultimately restore the payment rates to keep pace with the costs of care. For every dollar cut from Medicaid, Virginia loses a dollar in matching funds from the federal government.

WHAT is “cost-shifting” and does it occur in Virginia?

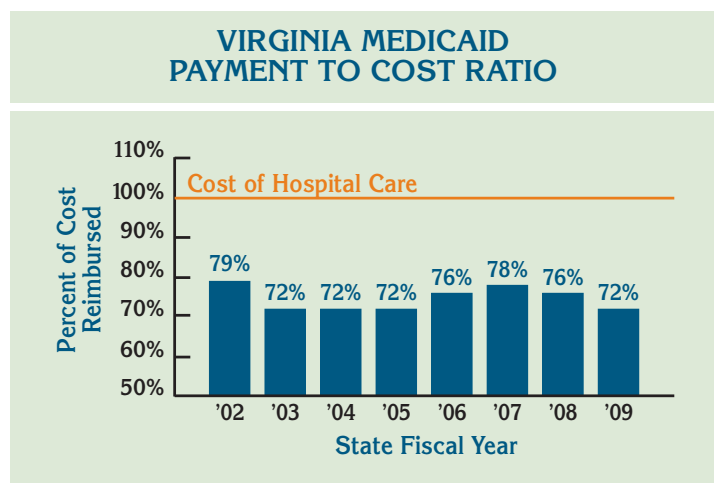
- Cost shifting occurs when providers do not receive sufficient payment to cover what it costs them to render treatment, either because their patients are uninsured, or Medicaid payment is too low. This causes them to charge private insurers more than it costs to render treatment, thus “shifting” the cost burden.
- Cost shifting occurs everyday, in Virginia and nationwide. It is estimated that this added \$1,107 to the cost of each family premium, and \$368 to the cost of each individual premium throughout the country in 2008.

VIRGINIA’S Medicaid program contributes to cost shifting in the Commonwealth, because it does not provide adequate payment to our hospitals, physicians and nursing homes. This is not a sustainable model.

HOSPITALS: Paid \$.72 on the Dollar

All of Virginia’s hospitals accept Medicaid patients. This year, Medicaid payments to hospitals were reduced. As a result, hospitals are now only compensated \$.72 for every dollar of care provided.

The graph illustrates the downward trend of underpayments to Virginia’s hospitals:



PHYSICIANS: Survey shows 50% Shortfall in Payment Rates

A recent survey by the Medical Society of Virginia found that in many communities, there are only one or two practices that still accept Medicaid patients. One medium-sized pediatric practice in a suburban area of central Virginia reported the following losses through its participation in Medicaid:

MEDICAID RATES			
Common Pediatric Visits	Cost to Treat	Medicaid Pays	Shortfall
Office Evaluation, Level II	\$58.68	\$29.52	50%
Office Evaluation, Level III	\$97.42	\$47.86	51%
Office Evaluation, Level IV	\$146.98	\$72.51	51%
Preventive Exam, Younger than 1 Year	\$109.38	\$66.00	40%

NURSING HOMES: Lose \$12.45 per Day, per Medicaid Patient

Due to recent state budget cuts, the average nursing facility in Virginia is projected to lose \$12.45 per day per Medicaid patient in this fiscal year. This is especially troublesome because 62 percent of all Virginia nursing facility patients are funded by Medicaid.

Due to strict state Medicaid eligibility criteria, Virginia ranks among the top states nationally in terms of average patient acuity, while being among the lowest in Medicaid nursing facility payment.

FURTHER CUTS to Medicaid payment rates will endanger access.

In a recent Medical Society of Virginia survey, 58 percent of physicians responding indicated they would reduce the number of Medicaid patients they care for, if payments were reduced by three percent.

**Hold the line on reductions to payment
for Medicaid providers .**

They are the lifeline for Virginians in need.

References: Virginia Hospital & Healthcare Association; Families USA; Virginia Healthcare Association; Medical Society of Virginia

Healthcare for All Virginians
Good for people. Good for business. Good for Virginia.
www.havcare.org