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Tracking Report

ACCESS TO CARE

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Medicaid Patients Increasingly Concentrated Among Physicians

By Peter Cunningham and Jessica May

Despite increases in Medicaid payment rates and enrollment, the proportion of U.S. physicians accepting Medicaid patients has decreased slightly over the past decade, according to a national study by the Center for Studying Health System Change (HSC). In 2004-05, 14.6 percent of physicians reported that they received no revenue from Medicaid, an increase from 12.9 percent in 1996-97. There were also small increases in the percentage of physicians who were not accepting new Medicaid patients. A more striking trend is that care of Medicaid patients is becoming increasingly concentrated among a smaller proportion of physicians who tend to practice in large groups, hospitals, academic medical centers and community health centers. Relatively low payment rates and high administrative costs are likely contributing to decreased involvement with Medicaid among physicians in solo and small group practices.

PHYSICIAN MEDICAID PARTICIPATION DOWN SLIGHTLY

Medicaid payment rates, which are considerably lower than physician payment rates under Medicare or private insurance, historically have deterred physician participation in Medicaid. About one-fifth of physicians (21 percent) reported accepting no new Medicaid patients in 2004-05, a rate six times higher than for Medicare patients and five times higher than for privately insured patients, according to HSC's nationally representative Community Tracking Study Physician Survey (see Data Source and Table 1). Moreover, about half of physicians reported accepting all new Medicaid patients in 2004-05, compared with more than 70 percent for Medicare and privately insured patients. Low physician participation in Medicaid has been shown to negatively affect enrollee access to medical care.[1]

Medicaid payment rates increased modestly relative to Medicare rates between 1998 and 2003, despite some states reducing or freezing payment rates in the early 2000s because of severe budget pressures and rising Medicaid costs.[2] In addition, Medicaid enrollment increased substantially during this period—8 percent overall between 2000 and 2003—likely as a result of eligibility expansions, high annual increases in private health insurance costs, and slow economic growth after the 2001 recession when many people lost jobs and employer-sponsored coverage.[3]

TABLE 1: **Physician Participation by Insurance Type**

	1996-97	2000-01	2004-05
Medicaid			
No Medicaid Revenue	12.9%	14.6%#	14.6%#
Accepting No New Patients	19.4	20.9#	21.0
Accepting All New Patients	51.1	51.9	52.1
Privately Insured			
Accepting No New Patients	3.6	4.9#	4.3
Accepting All New Patients	70.8	68.2#	71.8*
Medicare			
Accepting No New Patients	3.1	3.8#	3.4
Accepting All New Patients	74.6	71.1#	72.9

Change from 1996-97 is statistically significant at p <.05.
* Change from 2000-01 is statistically significant at p <.05.
Source: Community Tracking Study Physician Survey

Despite these trends, physician involvement with Medicaid has decreased slightly over the past decade. Between 1996-97 and 2000-01, the proportion of physicians who derived no revenue from Medicaid increased from 12.9 percent to 14.6 percent, while the percent accepting no new Medicaid patients increased from 19.4 percent to 20.9 percent. Between 2000-01 and 2004-05, there was no significant change in the percent of physicians who derived any revenue from Medicaid or in the percent with practices closed to new Medicaid patients.

MEDICAID PATIENTS MORE CONCENTRATED

For most physicians who care for Medicaid patients, Medicaid represents a relatively small part of their practices. Among all physicians who provide any care to Medicaid patients, about 60 percent derive less than 20 percent of their total practice revenue from Medicaid (findings not shown). However, these physicians account for only about 28 percent of care that physicians provide to Medicaid patients in dollar terms (see Table 2). In contrast, about one-fourth of physicians derive 30 percent or more of their practice revenue from Medicaid, but these physicians account for more than half of all physician care provided to Medicaid patients.

Moreover, care of Medicaid patients is becoming increasingly concentrated among the minority of physicians who provide a relatively large amount of care to Medicaid patients. The proportion of all Medicaid physician revenue accounted for by physicians who derived 30 percent or more of their practice revenue from Medicaid increased from 43.1 percent in 1996-97 to 51 percent in 2004-05. At the same time, the proportion of Medicaid physician revenue accounted for by physicians deriving less than 20 percent of practice revenue from Medicaid decreased from about 38 percent to 28.4 percent.

At least part of this shift is explained by the fact that physicians with lower levels of Medicaid participation are increasingly reluctant to take new Medicaid patients. For physicians with between 1 percent and 9 percent of practice revenue from Medicaid, the percentage not accepting new Medicaid patients increased from 20.7 percent in 1996-97 to 27.1 percent in 2004-05 (see Table 3). By contrast, less than 3 percent of physicians who derive 30 percent or more of their revenue from Medicaid were not accepting new patients, and this has not changed over the past decade.

PHYSICIAN PRACTICE CHARACTERISTICS

The increasing concentration of care of Medicaid patients is also characterized by a shift away from small, office-based practices toward larger group practices and institution-based practices, including hospitals, academic medical centers and community health centers. A much higher percentage of physicians in solo or small group practices derive little or no revenue from Medicaid compared with physicians in institutional settings and other practice types, while more than half of institutional providers derive 20 percent or more of their practice revenue from Medicaid (see Supplementary Table 1). Nevertheless, physicians in solo or small group practices still provide a substantial amount of care to Medicaid patients, accounting for more than 40 percent of all physician Medicaid revenue in 2004-05—compared to 30.5 percent for institutional providers.

However, more of the care of Medicaid patients has shifted away from smaller practices over the past decade. The proportion of total Medicaid physician revenue accounted for by solo and small group practices decreased from 52.4 percent in 1996-97 to 41.7 percent in 2004-05 (findings not shown). By contrast, medium and large group practices, as well as institutional providers, increased their share of Medicaid revenue over the same period.

Part of this shift reflects the fact that physicians increasingly are moving out of smaller practices and into larger groups and other practice settings, as documented in previous HSC studies.[4] However, physicians remaining in solo practice or smaller groups also are increasingly closing their practices to new Medicaid patients. For example, 35.3 percent of physicians in solo and two-physician practices were not accepting new Medicaid patients in 2004-05, up from 29 percent in 1996-97 (see Table 4). In contrast, fewer physicians in larger group practices and institutional settings were closing their practices to new Medicaid patients, and this even decreased slightly among physicians in institutional settings.

TABLE 2: **Distribution of Medicaid Physician Practice Revenue**

	1996-97	2000-01	2004-05
Percent of Revenue from Medicaid			
0-9%	10.6%	9.0%	7.8%
10-19%	27.2	24.3	20.6
20-29%	19.1	20.7	20.6
30% or Higher	43.1	46.1	51.0

Note: Physicians who derived no revenue from Medicaid are excluded.
Source: Community Tracking Study Physician Survey

TABLE 3: **Physicians Accepting No New Medicaid Patients**

	1996-97	2000-01	2004-05
All Physicians	19.4%	20.9%#	21.0%
Percent of Revenue from Medicaid			
1-9%	20.7	23.9#	27.1#
10-19%	5.9	7.2	7.9#
20-29%	4.4	3.4	2.6#
30% or Higher	2.7	3.2	2.8

Change from 1996-97 is statistically significant at p <.05.
Source: Community Tracking Study Physician Survey

Data Source

This Tracking Report presents findings from the HSC Community Tracking Study Physician Survey, a nationally representative telephone survey of physicians involved in direct patient care in the continental United States conducted in 1996-97, 1998-99 (results not shown for ease of presentation), 2000-01 and 2004-05. The sample of physicians was drawn from the American Medical Association and the American Osteopathic Association master files and included active, nonfederal, office- and hospital-based physicians who spent at least 20 hours a week in direct patient care. Residents and fellows were excluded. The 1996-97, 1998-99 and 2000-01 surveys each contain information on about 12,000 physicians, while the 2004-05 survey includes responses from more than 6,600 physicians. The response rates ranged from 52 percent to 65 percent. More detailed information on survey methodology can be found at *www.hschange.org.*

CTSonline, a Web-based interactive system for results from the CTS Physician Survey, is available at *www.hschange.org.*

TABLE 4: **Physicians Accepting No New Medicaid Patients, by Practice Type, Specialty and Location**

	1996-97	2000-01	2004-05
All Physicians	19.4%	20.9%#	21.0%
Practice Type			
Solo/2 Physicians	29.0	33.5#	35.3#
Small Group	16.2	18.0	24.0#*
Medium Group	10.0	13.3	12.0
Large Group	15.0	15.6	13.3
Group/Staff HMO	15.1	21.7#	13.5*
Institutional Provider[1]	8.3	9.7	6.6#*
Other	19.0	17.1	18.9
Specialty			
General Internal Medicine	27.0	27.0	30.5
Family Practice	25.5	28.4#	27.3
Pediatrics	15.8	14.9	15.0
Medical Specialists	18.9	17.0	18.0
Surgical Specialists	13.9	19.5#	18.8#
Location			
Large Metropolitan Statistical Area (MSA) (200,000+)	21.3	23.1#	23.6#
Small MSA	13.7	15.5	13.3
Non MSA	9.5	9.9	10.6

Change from 1996-97 is statistically significant at p <.05.
* Change from 2000-01 is statistically significant at p <.05.
[1] Includes hospitals, academic medical centers, community health centers and other free clinics.
Source: Community Tracking Study Physician Survey

PHYSICIAN SPECIALTY

Acceptance of new Medicaid patients varies across major physician specialty groups. General internists and family practitioners are the most likely to report that their practices are closed to new Medicaid patients, while pediatricians and specialists are the least likely to have closed Medicaid practices. Since children are much more likely to be covered by Medicaid and the State Children's Health Insurance Program (SCHIP) than adults, pediatricians have less ability to opt out of providing care to Medicaid enrollees. Also, many specialists have on-call responsibilities at hospital emergency departments and, therefore, have less ability to choose the types of patients they see in that setting.

From 1996-97 to 2004-05, the only significant change in Medicaid acceptance rates occurred among surgical specialists. In 2004-05, 18.8 percent of surgical specialists reported they were accepting no new Medicaid patients, compared with 13.9 percent of these physicians in 1996-97. This change may be related to the trend of physicians, particularly surgeons, no longer being tied exclusively to practicing in hospital settings.[5] With physicians providing less hospital emergency department coverage and practicing in independent ambulatory surgery centers, surgical specialists may now be more able to avoid Medicaid patients than in the past.

PHYSICIAN LOCATION

Physicians in large metropolitan areas (population greater than 200,000) were less likely to accept new Medicaid patients compared with physicians in smaller metropolitan areas and in rural areas. Also, the percent of physicians in large metropolitan areas not accepting new Medicaid patients increased slightly, from 21.3 percent in 1996-97 to 23.6 percent in 2004-05. The much greater concentration of both people and medical providers in large urban areas gives physicians in these areas greater choice about the patients they accept compared with rural physicians. In addition, the perceived obligation to accept Medicaid patients may be somewhat greater in rural areas since there are few other physicians for Medicaid enrollees to go to, particularly for specialty care.

LOW PAY, ADMINISTRATIVE HASSLES DETER MEDICAID PARTICIPATION

Relatively low Medicaid payment rates and high administrative burdens are major reasons for not accepting Medicaid patients, according to physicians. Among physicians accepting no new Medicaid patients in 2004-05, about five out of six (84%) cited inadequate reimbursement as a moderate or very important reason for not accepting new patients (see Supplementary Table 2). Billing requirements and paper work were cited by 70 percent of physicians as reasons for not accepting new patients, while about two-thirds cited delayed reimbursement. A smaller percentage of physicians cited concerns about having a full practice or the high clinical burden of Medicaid patients.

These concerns also likely explain why physicians in smaller practices are increasingly closing their practices to new Medicaid patients. The administrative burden of caring for Medicaid patients may have increased in recent years, as more states require prior approval for prescription drugs and other tests and procedures.[6] For physicians in solo or small group practices, these administrative costs may be prohibitively high on a per patient basis given the small number of Medicaid patients they see. In fact, physicians in solo or small group practices are much more likely to cite billing requirements and paperwork as reasons for not accepting new Medicaid patients compared with physicians in larger group practices and institutional settings, where centralized billing and economies of scale may ease the administrative burdens of treating Medicaid patients.

POLICY IMPLICATIONS

Despite increases between 1998 and 2003, Medicaid physician reimbursement on average in 2003 was 69 percent of Medicare reimbursement and is even lower relative to private insurance payment rates.[7] Along with the paperwork and administrative burdens that physicians report, it is not surprising that more physicians in small private practices are opting out of caring for Medicaid patients. The result is that care of Medicaid patients is becoming increasingly concentrated among physicians practicing in larger groups, as well as hospitals, academic medical centers and community health centers.

The trend of increasing concentration will likely continue in the near future. Physicians are experiencing considerable financial pressures and declining real incomes because of stagnant payment rates from Medicare and private payers.[8] These pressures are resulting in some physicians reducing the amount of time they spend in volunteer activities and other less profitable aspects of their practice, which may include care of Medicaid patients.

Increasing concentration is also likely to be spurred by the increase in Medicaid managed care enrollment and the formation of Medicaid-only health plans. Enrollment in managed care plans increased from about 40 percent of Medicaid enrollees in 1996 to about 60 percent by 2004 and is likely to increase in the future.[9] While Medicaid managed care plans previously included a number of commercial plans that served a mix of Medicaid and privately insured individuals, most Medicaid managed care plans now serve Medicaid enrollees either primarily or exclusively.[10] Physician networks that contract with these plans are likely to include practices that provide a disproportionate amount of care to Medicaid patients (e.g. clinics, hospital-based physicians), and exclude those that serve relatively few Medicaid patients (e.g. solo and small group practices).

Fundamental changes to the Medicaid program could effectively reduce Medicaid physician payment rates and decrease physician participation in Medicaid even further. The Deficit Reduction Act (DRA) of 2005 is expected to reduce federal Medicaid spending in part by increasing enrollee cost sharing for premiums and health services. While copayments for services were limited to $3 or less under previous law, the DRA will allow states to charge some Medicaid enrollees coinsurance amounts of up to 20 percent for some services.[11] If enrollees are unable to pay—as many expect given the low incomes of most Medicaid enrollees—physicians will either have to accept the reduced payment from Medicaid, or they will have to increase their administrative costs to collect from patients.

As low reimbursement and high administrative costs in Medicaid are already serious concerns among physicians, some physicians are likely to respond to the higher enrollee cost sharing by closing their practices to Medicaid patients. Enrollees will continue to shift toward providers who are dependent on Medicaid revenue or who are obligated by their mission to serve Medicaid patients. It isn't clear whether the increasing concentration in and of itself is harmful to enrollee access to medical care, since many of the large Medicaid providers are located in areas where enrollees tend to live, such as inner cities and medically underserved areas. However, if these large Medicaid providers experience increased financial pressures and rising patient demand, quality of care and access to some services could be negatively affected.

NOTES

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President: Paul B. Ginsburg
Vice President: Jon Gabel

Contact HSC at:
600 Maryland Avenue, SW, Suite 550
Washington, DC 20024-2512
Tel: (202) 484-5261
Fax: (202) 484-9258
www.hschange.org

MEDICAID PATIENTS INCREASINGLY CONCENTRATED AMONG PHYSICIANS
SUPPLEMENTARY TABLES

Supplementary Table 1 **Provision of Medicaid by Practice Type, 2004-05**

	Percent of Physicians	Percent with No Revenue from Medicaid	Percent with 1-19% Revenue from Medicaid	Percent with 20%+ Revenue from Medicaid	Percent of Total Medicaid Revenue
All Physicians	100.0	14.6	50.0	35.4	100.0
Practice Type					
Solo/2 Physicians	31.2	23.7*	49.7	26.6*	23.2
Small Group	19.7	13.9	61.4*	24.6*	18.5
Medium Group	8.8	8.1*	59.3*	32.6	9.6
Large Group	4.3	6.5*	61.4*	32.2	4.4
Group/Staff HMO	4.5	11.5	56.1	32.4	4.2
Institutional Provider[1]	24.1	8.4*	38.7*	53.0*	30.5
Other	7.5	12.7	37.1*	50.3*	9.6

* Difference with all physicians is statistically significant at p <.05.
[1] Includes hospitals, academic medical centers, community health centers and other free clinics.
Source: Community Tracking Study Physician Survey

Supplementary Table 2 **Moderately or Very Important Reasons for Not Accepting New Medicaid Patients, 2004-05**

	Billing Requirements/ Paperwork	Delayed Reimbursement	Inadequate Reimbursement	Practice is Full	High Clinical Burden of Medicaid Patients
All Physicians	70.4%	64.8%	84.0%	43.5%	51.5%
Practice Type					
Solo/2 Physicians	73.9	65.7	85.3	43.2	52.9
Small Group	78.5*	72.2	88.1	47.6	54.3
Medium Group, Large Group and Group/Staff HMO	56.5*	62.0	86.1	41.8	48.4
Institutional Provider[1]	41.3*	54.0*	65.9*	43.5	41.2
Other	63.5	45.2*	72.9*	32.9	44.0

Notes: Includes only physicians not accepting new Medicaid patients. Multiple reasons were allowed.
* Difference with all physicians is statistically significant at p <.05.
[1] Includes hospitals, academic medical centers, community health centers and other free clinics.
Source: Community Tracking Study Physician Survey