

TESTIMONY OF GORDON H. SMITH, ESQ., EXECUTIVE VICE PRESIDENT,  
MAINE MEDICAL ASSOCIATION TO THE JOINT STANDING COMMITTEE ON  
APPROPRIATIONS AND FINANCIAL AFFAIRS, FEB 22, 2007 RE L.D. 499  
(GOVERNOR'S BUDGET)

Sen. Rotundo, Rep. Fischer and members of the Committee:

Thank you for the opportunity to testify today on behalf of the 2700 members of the Maine Medical Association, a professional association representing the interests of Maine's physicians. We are here today to support the provision in the budget in the so-called MAP account that would appropriate an additional \$3 million in the second year of the biennium to increase MaineCare payment rates for physicians and other providers who bill for MaineCare services pursuant to the fee schedule, as opposed to being paid on the basis of their costs.

This increase, although modest in the context of a \$2 billion annual MaineCare budget, is essential in order to provide access to medical care for the more than 260,000 children and adults who rely on the MaineCare program. With federal matching funds, this appropriation will allow for changes to the fee schedule that will increase reimbursement by approximately \$8.5 million. We anticipate that the increase would move most MaineCare fees from 53% of the Medicare fee schedule to approximately 60%. While Maine would continue to have among the lowest fees in the country (we were 44<sup>th</sup> in 2001), this "down payment" would demonstrate to Maine's physicians and other providers that the state is making an effort to recognize their daily efforts to provide access to MaineCare patients.

As you have heard previously, Maine has the largest number of Medicaid patients, per capita, in the country. The combination of low fees and large numbers of enrollees, along with the MECMS problem and other administrative issues has greatly challenged the medical community in Maine. Perhaps the best evidence of this is the exodus of physicians from private practice, where the state pays the lowest fees, to employment. Over 1300 physicians are now employed in hospitals, not including health centers and other settings.

The last increase was in 2005 and also was \$3 million. How this increase was applied is attached to my testimony. As you can see, many of the specialties received very, very modest increases, as the goal was to have a minimum payment for any code correlating to 53% of Medicare. Why 53% you might ask – simply because that is as far as the money would take us.

Physician fees in MaineCare represent less than 3% of MaineCare expenditures. Physician fees are certainly not a cost driver in the system. A modest increase can help

ensure appropriate access and help cover the cost of providing the care, costs which, of course, increase every year.

While we are disappointed that the increase would not take effect until July of 2008, it is important to at least do this much to show support for the decreasing number of physicians left in private practice and for those institutions who employ physicians who still are paid from the private fee schedule. Two of these larger systems are Maine Health and Maine General, neither of which have elected to convert their physician practices to "provider-based" reimbursement.

In the interest of time, I will not go through the appendices attached to my written testimony which give comparisons between MaineCare, Medicare and commercial insurance rates for a number of frequently billed codes. I have also attached a November, 2006 article from American Medical News which sets forth the expectations of a number of other states regarding plans for Medicaid reimbursement.

In terms of how Maine compares with other states, I will share with you the results of a recent inquiry on our state medical society CEO list serve related to Medicaid reimbursement. Most states responding noted Medicaid reimbursement rates ranging from 70% of Medicare to 100% of Medicare. I saw no state as low as 53% and firmly believe that we have about the lowest reimbursement in the country, and perhaps the lowest. This modest increase, even if delayed by a year, is long over due and essential.

There are many other arguments that could be made, including the real financial harm suffered by MaineCare providers as a result of the claims processing issue, but I believe that you are all well aware of that.

I would be happy to answer any questions that you may have.