Supporting safety-net clinicians

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MEDPAC

Motivations for examining safety-net providers

- House Committee on Ways and Means request to study access for vulnerable beneficiaries; reports in 2021 and 2022
- Ongoing concerns about the financial stability of safety-net providers
- Need to balance support of providers with fiscal responsibility
  - Large, across-the-board payment increases would be costly
  - Targeting new funding to safety-net providers may be more efficient

Today's session

- Review framework for identifying safety-net providers and deciding whether new Medicare funding is warranted
- Review definition of low-income beneficiaries
- Description of safety-net clinicians
- Options for clinician safety-net add-on adjustment
- Issues for commissioner discussion

MedPAC's safety-net provider framework

Overview of safety-net provider framework

- We define safety-net providers based on the characteristics of their patients
- Framework has two distinct steps:
  1. Identifying safety-net providers
  2. Deciding whether new Medicare funding is warranted
- Framework allows us to broadly identify safety-net providers while recognizing that new Medicare funding is not warranted in all situations

Framework (step 1): Identifying safety-net providers

- Safety-net providers are those who treat a disproportionate share of:
  - Medicare beneficiaries who have low incomes and are less profitable than the average beneficiary, or
  - The uninsured or those with public insurance that is not materially profitable
- Providers who treat a disproportionate share of such patients could be financially challenged, which could lead to negative outcomes for beneficiaries (e.g., access issues, lower quality)

Framework (step 2): Deciding whether new Medicare funding is warranted to support safety-net providers

- Because Medicare faces substantial financial challenges, Medicare should only spend additional funds to support safety-net providers if:
  - There is a risk of negative effects on beneficiaries without new funding (e.g., access issues due to provider closures)
  - Medicare is not a materially profitable payer in the sector
  - Current Medicare payment adjustments cannot be redesigned to better support safety-net providers

Definition of low-income beneficiaries includes all LIS beneficiaries

- Our definition includes beneficiaries who receive:
  - Full Medicaid benefits,
  - Partial Medicaid benefits, or
  - The Part D LIS
- Collectively, we refer to this population as “LIS beneficiaries”

Note: LIS (low-income subsidy).

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Safety-net clinicians

Framework (step 1): Identifying safety-net clinicians

- Clinicians do not submit cost reports, so cannot measure profitability directly
- Clinicians are prohibited from collecting cost sharing from most LIS beneficiaries
- Most states do not make cost-sharing payments on behalf of dually eligible beneficiaries
  - Reduces clinician revenue by an estimated $3.6 billion annually
- Some clinicians serve a disproportionate number of low-income beneficiaries

Note: LIS (low-income subsidy)
Results preliminary and subject to change.

Framework (step 2): Deciding whether new Medicare funding is warranted to support safety-net clinicians

- LIS beneficiaries report having more difficulty accessing clinician care
- Cannot measure profitability directly, but clinicians tend to receive less revenue when treating low-income beneficiaries
- Targeted financial support for safety-net clinicians does not exist in physician fee schedule

Note: LIS (low-income subsidy).

Clinician safety-net add-on payment

Potential clinician safety-net add-on payment

- For physician fee schedule services furnished to LIS beneficiaries, Medicare would make add-on payments based on percentage of full rates
- Add-on payments could vary on two dimensions:
  - Percentage of the add-on
  - Whether percentage varies by type of clinician (primary care vs other specialties)
- Cost of add-on payments would be funded by new spending

Note: LIS (low-income subsidy).

Clinician safety-net add-on illustrative options

- For fee schedule services furnished to LIS beneficiaries:

Option #1	5 percent add-on for all clinicians
Option #2	10 percent add-on for all clinicians
Option #3	15 percent add-on for primary care clinicians and 5 percent add-on for other clinicians
Option #4	20 percent add-on for primary care clinicians and 5 percent add-on for other clinicians

Note: LIS (low-income subsidy).

Option #2 example: 10 percent add-on for all clinicians for service with Medicare payment rate of $100

- Medicare fee schedule payment = $80
- Medicaid payment = $0
- Medicare's safety-net add-on payment = $10
- Total payment to the clinician = $90
  - If cost sharing paid by Medicaid or patient, total payment = $110

Results preliminary and subject to change.

Impact of safety-net add-on options in FFS

	Average annual add-on per primary care clinician	Average annual add-on per non-primary care clinician	Total add-on payments
Option #1: 5% for all clinicians	$780	$1,040	$1.2 billion
Option #2: 10% for all clinicians	$1,550	$2,090	$2.5 billion
Option #3: 15% for primary care, 5% for non-primary care	$2,320	$1,040	$1.7 billion
Option #4: 20% for primary care, 5% for non-primary care	$3,100	$1,040	$1.9 billion

Source: MedPAC analysis of 100 percent Carrier file.

Results preliminary; subject to change

Policy and operational issues

- Magnitude of the safety-net add-on
  - Add-on adjustment should be large enough to address issues faced by safety-net providers, but must be fiscally responsible
- Different add-on adjustment for different types of clinicians
  - Primary care and non-primary care face many of the same challenges when treating low-income beneficiaries, but primary care may warrant more assistance
- When total payments exceed fee schedule payment rate
  - Total payments could be capped at fee schedule rate, but might reduce effectiveness of safety-net policy

Clinician safety-net payments and Medicare Advantage

- LIS beneficiaries enrolled in MA report having more difficulty accessing care than non-LIS beneficiaries
- Could apply a similar add-on payment for clinician services in MA
  - Payments would be made on lump-sum basis
  - Add-on payments would not be included in Medicare Advantage benchmarks
- Little is known about MA cost-sharing payments for dually eligible enrollees, so difficult to quantify differences in clinician revenue for LIS beneficiaries

Note: LIS (low-income subsidy), Medicare Advantage (MA).

Key questions for commissioners to consider

- Should staff continue to develop clinician safety-net policy?
- What is the appropriate magnitude of safety-net add-on?
- Should certain types of clinicians (e.g., primary care providers) receive a higher add-on?
- Should total payments be permitted to exceed the allowed payment amount?
- How should safety-net add-on payments apply to LIS beneficiaries enrolled in Medicare Advantage?

Note: LIS (low-income subsidy).