



VCU Medical Center

Office of Health Innovation

Final Rule: Increased Medicaid Payment for Primary Care

Description: Under this provision, certain physicians (and other qualified practitioners) who provide eligible primary care services will be paid the Medicare rates in effect in calendar years (CY) 2013 and 2014 instead of their usual state-established Medicaid rates, which may be lower than federally established Medicare rates.

Major Provisions:

The payment increase applies to primary care services delivered by a physician with a specialty designation of family medicine, general internal medicine, or pediatric medicine or related subspecialists. The final rule excludes gynecologists and obstetricians from the payment bump. The rule also clarifies that the higher payment will be made for primary care services rendered by practitioners—including, for example, nurse practitioners—working under the personal supervision of any qualifying physician.

States will receive 100 percent federal financial participation (FFP) for the difference between the Medicaid state plan payment amount as of July 1, 2009, and the applicable Medicare rate.

- However, note that if a state has cut physician payment rates for primary care services since July 1, 2009, the state will not receive 100 percent FFP for the difference between the rates in place on July 1, 2009 and the current rates. Note: while Virginia has generally not provided inflation increases for physician Medicaid rates, it has not cut rates (and has in fact provided some increases for certain specialties). Thus, Virginia should be eligible for the 100% match.
- Also Note: Providers in states that have Medicaid physician supplemental payments in place such that the total payments are greater than or equal to the Medicare rate will NOT see an increase in primary care payments. CMS clarified that, when comparing the Medicaid rate to the Medicare rate, the state must include all supplemental payments paid to the provider.

The rule permits states to either “lock” rates at the level of the Medicare physician fee schedule in effect at the beginning of 2013 and 2014 or modify the rates in alignment with all updates by Medicare.

- States have the option to make geographic and site-of-service adjustments when calculating the applicable Medicare rate. I.e., a state could reimburse all codes at the Medicare rate applicable to the office setting or the provider-based setting. Alternatively, a state could make all Medicare locality adjustments or develop a statewide rate per code that reflects the average Medicare rate across all counties.

Primary care providers will receive the benefit of the rate increase regardless of whether the services are provided through fee-for-service or managed care arrangements.

- States must gain CMS approval of managed care contracts by demonstrating that the higher payment will actually be passed on the providers.
- States must also follow general guidelines to be established by CMS when identifying the amounts by which plans must increase existing payments to primary care providers and any additional capitation costs to the state attributable to the increase in these payments.

Enhanced payments will apply to additional primary care service codes covered by Medicaid but not Medicare. Although they have not specified a date, CMS will publish rates for eligible E/M codes not reimbursed by Medicare.

This final rule also updates the regional maximum fees that providers may charge for the administration of pediatric vaccines to federally vaccine-eligible children under the Pediatric Immunization Distribution Program, more commonly known as the Vaccines for Children (VFC) program. The formula used to determine the updated rates used the Medicare Economic Index (MEI) which is a price index used by CMS as part of the updates to Medicare physician payments.

Consistent with CMS requirements for Medicaid state plan amendments (SPAs), states have until March 31, 2013 to submit an SPA that will be effective on Jan.1, 2013. CMS intends to create a template SPA to assist states with the process.