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Senator Kahn and Members of the Senate Appropriations Subcommittee on Community Health:

The Michigan Psychiatric Society is opposed to House Bill 5386, which would create a 3% tax on physicians' gross receipts to help fund the Medicaid budget.

As physicians, we are very aware of the multiplying consequences of under-funding both Medicaid medical services and non-Medicaid mental health services. The economic consequences of job losses and foreclosures point directly to increased need for health and mental health services.

Michigan's beleaguered economic environment has long had a negative effect on access to medical care for citizens who are economically disadvantaged, for children and persons with disabilities and the elderly. Now we add the newly uninsured to our growing storm of needs.

However, even in better economic years, Michigan failed to raise the Medicaid fee schedule to mirror trends in other states. This has a direct affect on access to care and the medical practice environment in Michigan.

The Kaiser foundation 2008 Medicaid Physician Fee Index shows Michigan ranking in the eighth lowest category of all physician fee payments, paying only 90% of the national average fees. In primary care, Michigan is paying the 11th lowest fee level at 91% of the nation's average. In obstetric care, Michigan ranks 14th lowest, at 94% of the national average. In all other physician services, Michigan ranks seventh from the bottom, paying 80% of the national average fee.

Researchers recently published in *Health Affairs* an article tracking payment trends, *Medicaid Physician Fees Grew by more than 15 Percent from 2003 to 2008, Narrowing Gap with Medicare Physician Payment Rates*. In Michigan, Medicaid physician fees grew by only 6.7% in this time period compared to the national average growth rate of 15.1%. For primary care, Michigan's fee increase was 0.6% compared to the national average of 20%. In obstetric care, Michigan's growth rate was 27.1% compared to the national average of 8.8%. In other medical services, Michigan's rate fell by -3.6% compared to national growth of 8.7%.

Clearly, Michigan must remedy our woeful Medicaid fee schedule, which is grossly unfair and disproportionately impacts primary care, pediatric, obstetric and emergency physicians. But not by a misguided tax that will result in decreasing Michigan's physician workforce.

In addition, Michigan is a net exporter of medical students and this proposal is likely to increase that trend.

This proposed tax is unfair on many counts. One fact not pointed out by proponents is that it is not necessary to target physicians in order to draw down the additional federal matching revenues. Any type of state funds may be used to match, as long as the funds (or assessment or tax) are dedicated to Medicaid.

Psychiatrists, in almost all cases, do not have the opportunity to bill for Medicaid fee-for-service outpatient codes, as the overwhelming majority of Medicaid beneficiaries are assigned to managed care plans and receive mental health care through those plans and Community Mental Health agencies.

Psychiatrists working in the CMH system are either salaried or under contract. They work hard to deliver services that are efficient and innovative in a capitated environment and would not benefit by increased Medicaid outpatient fees, however, the bill indicates that they would be taxed.

Thus, most psychiatrists have neither refused to see Medicaid patients nor do they have the opportunity to make up the tax through enhanced Medicaid rates. This is true of many physicians in many circumstances.

MPS urges the Senate Appropriation Subcommittee Members to oppose the physician tax and help keep doctors in our state, treating our most vulnerable populations.

Sincerely,

Leigh Anne White, MD
President

Kathleen Gross
Executive Director