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## **Medicaid Payment Delays Deter Physician Participation**

*Health Affairs Study: Slow Payment Offset Lure of Higher Medicaid Physician Fees*

**WASHINGTON, D.C., November 18, 2008**—Although low fees discourage physicians from treating Medicaid patients, payment delays also play an important role in physician decisions to avoid Medicaid patients, according to a study by the Center for Studying Health System Change (HSC) published today as a Web Exclusive in the journal *Health Affairs*.

Previous research has shown that about half of U.S. physicians accept all new Medicaid patients, compared with more than 70 percent of physicians accepting all new privately insured and Medicare patients. Medicaid fee levels vary considerably across states, and research has consistently shown that Medicaid participation by physicians is higher in states with higher fees than in states with lower fees.

While state policy makers often use higher payment rates to increase physician participation and improve access for Medicaid patients, less attention has been paid to the role of administrative burdens—including payment delays—on physicians' decisions to treat Medicaid patients.

The new *Health Affairs* study, titled "Do Reimbursement Delays Discourage Medicaid Participation by Physicians," examined the effect of variation in average reimbursement times across states on physicians' willingness to accept Medicaid patients. The study demonstrates that payment delays can offset the effects of higher Medicaid payment rates on physician participation.

"Medicaid payment rates matter, but the hassle factor also matters, and this study strongly suggests that higher Medicaid fees won't have the desired effect of increasing access if physicians have to wait months to get paid," said HSC Senior Fellow Peter J. Cunningham, Ph.D., coauthor of the study with HSC Senior Researcher Ann S. O'Malley, M.D., M.P.H.

The study, funded by the Robert Wood Johnson Foundation, linked information from the nationally representative 2004-05 Community Tracking Study Physician Survey on physician willingness to treat Medicaid patients with 2006 state-level Medicaid claims data on average reimbursement times from athenahealth Inc., a firm that contracts with physician practices to process Medicaid and commercial insurance claims. The study included about 4,900 physicians in 21 states, including most of the largest states, such as New York, California, Texas, Florida, Illinois, Pennsylvania and Michigan.

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Other key study findings include:

- ***Variation in average Medicaid reimbursement time and rates.*** Average reimbursement times for Medicaid varied considerably across states, from a low of 36.9 adjusted days in Kansas to a high of 114.6 days in Pennsylvania. Reimbursement times for Medicaid were longer on average than reimbursement times for commercial insurers in every state, although the disparities ranged from small (Kansas, Ohio) to large (Pennsylvania, Illinois). Also, there was considerably less variation across states in reimbursement time for commercial insurers (about 33 days between the fastest and slowest state) compared to Medicaid (78 days between the fastest and slowest state). Medicaid fees (as a percentage of Medicare fees) also varied across states, from a low of 36 percent in New York to parity with Medicare in North Carolina.
- ***Slow reimbursement offsets high Medicaid fees.*** The study compared four groups of physicians based on different combinations of fee levels and reimbursement times: (1) physicians in states with high fees and fast reimbursement; (2) physicians in states with high fees and slow reimbursement; (3) physicians in states with low fees and fast reimbursement; and (4) physicians in states with low fees and slow reimbursement.

The results strongly suggest that slow payment offset much of the effect of high Medicaid fees. For example, 64 percent of physicians were accepting all new Medicaid patients in states with both high fees and fast payment. However, when high fees were combined with slow payment, the proportion of physicians accepting all new Medicaid patients decreased to 50.9 percent. Reimbursement time appeared to make less of a difference in states with relatively low Medicaid fees, as the differential in acceptance rates between fast and slow payment states was only about 5 percentage points (48.4 percent in low-fee/fast-payment states vs. 43.2 percent in low-fee/slow-payment states).

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*The Center for Studying Health System Change is a nonpartisan policy research organization committed to providing objective and timely research on the nation's changing health system to help inform policy makers and contribute to better health care policy. HSC, based in Washington, D.C., is funded in part by the Robert Wood Johnson Foundation and is affiliated with Mathematica Policy Research, Inc.*

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