



An Analysis of the Effect of Lower Medicare Reimbursement on Spokane and Kootenai Counties' Healthcare Sectors

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I. Executive Summary

Medicare reimbursements to healthcare providers have been a concern over the past five years for Spokane and Kootenai Counties. According to one study, *An Analysis of Population Change in Spokane County, Washington, and Kootenai County, Idaho*, these two counties encompass the largest single population center between Seattle and Minneapolis across the northern tier of the U.S. (Hurand, 2003). The largest increases in population have been in workforce-aged people and the elderly. The aging of the population and the relatively large size of the healthcare sector in the regional economy hold the potential for changes in Medicare reimbursements to provoke changes in the healthcare sector of both counties and to impact access to care for Medicare enrollees.

The goal of this study is to measure the impact of changing Medicare reimbursements in Spokane and Kootenai Counties' healthcare sector. Specifically, the study seeks to:

- Identify the change in total Medicare income to healthcare providers.
- Examine change in access to health care for Medicare enrollees.
- Identify the change in the mix of physician specialties.
- Determine the extent of physician "flight".

According to the Centers for Medicare and Medicaid Services (CMS) (July 2001), 14% of the U.S. population are Medicare beneficiaries. Idaho Medicare enrollees make up 13% of the state's total population, while Washington Medicare enrollees make up 12% of the state's total population. In addition, according to CMS (FY 2001), Medicare payments per enrollee by state rank Idaho as 39th and Washington as 41st. The national average (estimated benefit payment per enrollee) was \$5,994. Payments for Idaho and Washington are estimated to be in the range of \$4,000-\$4,500, well below the national average.

The significance of this disparity in payments raises questions for physicians and their patients. Specifically, has it led to physicians leaving the area, leaving patient care, not accepting new Medicare patients in their practices, or entering early retirement? We classify all of these potential consequences as forms of "physician flight" and examine how Spokane and Kootenai Counties compare with Washington and Idaho at the state level and with the nation as a whole.

The findings of this study include the following:

- The trend in the growth rate of *total* Medicare payments is similar in Kootenai County, Spokane County, Idaho State, Washington State, and the U.S. For all these jurisdictions, from 1992 to 1998, there was no clear trend. Instead, volatility of rates was the key feature. From 1999 onward, there has been a steady upward trend in the rates as well as similarity in rates.
- Pre- and post-1997 (Balanced Budget Act) trends in Medicare payments per capita (65 years and older population) exhibit the same pattern as total aggregate Medicare payments.
- The annual growth rates of total payments for Part B of Medicare –payments for physician services– exhibited a clear downward trend from 1998 until 2000, but remained positive. Since 2000, the growth rates have risen, with Idaho State having the largest growth rates of the five comparison areas. In the past five years, average payment rates to physicians for Medicare have not decreased. Medicare Part B payment rates have increased more than the rate of inflation in every year except 2000.
- In both Kootenai and Spokane Counties, physicians now limit the number of Medicare patients that can be seen in their practices. In Spokane County, approximately only 23 percent of primary care physicians see new Medicare patients, compared to 75 percent seeing new privately insured patients. Access to primary care physicians is also inadequate in Kootenai County, with no family physician/primary care provider accepting new Medicare patients in August 2003. Access problems for Medicare beneficiaries are on the rise at the national level. Between 1997 and 2001, the percentage of physicians¹ across the U. S. accepting all new Medicare patients fell from 74.6 percent to 71.1 percent.² There is clearly a dramatic difference in the rate of physicians' willingness to see Medicare beneficiaries between Kootenai and Spokane Counties and the nation.
- From 1998 to 2002, Spokane County experienced a total increase of 11.3% in the absolute number of physicians. During this time the number of newly-licensed physicians in Spokane County decreased in only one year—2000. Kootenai County has had positive growth rates in number of active physicians since 1994.

- For the period 1995 to 2001, growth rates in the ten specialties examined were no worse in Washington State than they were in the nation.
- Losses at the state level in Idaho occurred in Orthopedic Surgery and Neurology between 2000 and 2001.
- From 2000 to 2001, some specialty areas in Spokane County sustained an absolute loss in the number of physicians. Those were: Neurology, General Practice, Family Practice, Cardiovascular Disease, Pulmonary Disease, and Obstetrics-Gynecology. From 1995 to 2001, growth rates in General Practice and Family Practice in all local categories were lower than those at the national level, with Spokane County having the lowest.
- The implementation of the Balanced Budget Act (1997) was a cause for concern among physicians. Changes in reimbursement mechanisms did lead to a redistribution of income among specialties. Volatility and uncertainty associated with the changes resulted in physician concern about the security of the Medicare component of their income. Since the year 2000, however, the volatility has decreased and Medicare payment rates have consistently increased in all years for all comparison areas.