FADING AWAY

ACCESS TO PRIMARY CARE: FLIRTING WITH DISASTER

The Primary Care Coalition

Access to basic, primary health care has reached a critical juncture in Texas, threatening not only patients but the well being of entire communities. We must work together to allow primary care physicians to return to practicing medicine by removing the business and governmental constraints that currently besiege them.

The Primary Care Coalition has spent the last 12 months researching the causes of the current health care crisis facing Texas and developing recommendations to ensure patients will continue to have access to high quality primary health care. We trust our comments will serve to stir and awaken readers to our mutual needs to confront the health care challenges that face our state and its citizens.

The Primary Care Coalition is comprised of physicians who not only serve their communities by providing direct patient care, but also form the frontline of awareness, detection, and defense in public health issues — everything from preventing viral outbreaks to recognizing potential bioterrorism. The Primary Care Coalition members are:

The Texas Academy of Family Physicians

5,400 members

Mission: *To equip family physicians to improve the health of patients and their families, and to advance and represent the specialty of Family Practice. The Academy has 32 local chapters and is the Texas chapter of the American Academy of Family Physicians.*

The Texas Academy of Internal Medicine Services

5,400 members

Mission: *To promote high-quality, cost-effective health care for all patients by preserving and strengthening the practice of internal medicine, and all its subspecialties. The Texas Academy of Internal Medicine is the Texas chapter of the ACP-ASIM, the nation's largest medical specialty society.*

The Texas Pediatric Society

3,400 members

Mission: *To focus its talent and resources to ensure that the children in Texas are safe and healthy, that its members are well informed and supported, and that the practice of pediatrics in Texas is both fulfilling and economically viable. The Texas Pediatric Society is the Texas Chapter of the American Academy of Pediatrics.*

A Quiet Crisis

Texas' health care delivery system has reached a breaking point. Several trends have converged to create a system that is out of control for both patients and physicians. They include:

1. dramatic increases in the cost of running a practice, including enormous spikes in medical liability premiums and the cost of health insurance for employees

2. continued slow pay, low pay, no pay tactics of third party payers, along with expensive and unnecessary administrative burdens

3. decreasing or flat-lined reimbursement from government programs such as Medicare, Medicaid, and CHIP, and the looming threat of more cuts in all three programs

Primary care physicians are disproportionately impacted by these trends and are having a difficult time keeping their doors open to patients.

Texas' health care delivery system has reached a breaking point.

Crisis Closes Residency Program

Look no further than the closure of the family practice residency program at Christus St. Elizabeth Hospital in Beaumont in June of 2002. The closing of the associated clinic threw thousands of patients into a health care void. The hospital could no longer afford to host the program due to:

- decreased federal funding for training of medical residents
- declining reimbursement from government health programs
- decreasing patient revenues from other sources, combined with
- runaway increases in medical liability insurance and other operating expenses.

It is not financially feasible to deliver care under these conditions.

The Beaumont residency program and clinic, with 18 residents and fellows, 30 employees and eight faculty members, provided care for those members of the community who had the fewest resources. The program provided over 15,000 outpatient visits per year. Half of those patients were working poor who had no insurance and didn't qualify for federal, state or county aid.

With the closure of the family practice residency program, Christus St. Elizabeth has anticipated between 10-20,000 additional emergency room visits a year, on top of the 80,000 visits it aleady handles. This closure adds pressure not only for the remaining health care infrastructure in Beaumont, but the local tax base as well. Taxpayers will be forced to absorb the burden of caring for the thousands of people the clinic had been serving.

Meanwhile, less than 300 miles away in Waco, a four-doctor internal medicine practice is scrambling to survive the brutality of today's medical economics. Its medical malpractice costs soared 43% in one year, going from $29,507 in 2001 to $42,324 in 2002. The group is bracing for another 40% increase this year. Employee health insurance also increased nearly 50% in the same timeframe. The practice paid $91,530 to insure its staff last year with a high-deductible, minimum health benefits package. More increases are due this year. And while expenses continue to climb at an unsustainable rate, the practice had an overall decline in total billings, and write-offs increased 8.2%.

Primary care offices around the state face the same challenges as they all battle just to stay alive. Undeniably, patients have decreased access to primary care, but the long term implications are far more troubling. If we aren't able to train the physicians of tomorrow, who will be there to deliver medical care in the future? Beaumont has long struggled to attract primary care physicians, as have communities like Waco. The loss of the Beaumont residency program and the potential closure of primary care practices across the state will further dampen efforts to recruit and retain physicians in Texas and to continue providing health care for Texans.

Without intervention, these stories will be repeated throughout Texas. It's only a matter of time.

The Forces at Work

Despite years of prosperity, the health of Texas and Texans remains at risk. Texas faces some critical challenges because of patterns already in place:

- The state has the nation's largest uninsured population.
- An increasing number of Texans are insured through programs such as Medicare, Medicaid and CHIP.
- An aging population is demanding more health care services and has a growing range of new technologies and treatments available for improved quality of life.
- Poor public health is indicated by high rates of chronic diseases such as diabetes and uncontrolled infectious diseases such as hepatitis A, tuberculosis, and pertussis.

In the midst of this crush, primary care physicians must shoulder the following burdens:

- Soaring medical liability premiums due to multiple factors
- Increasing administrative costs and ongoing cat-and-mouse games needed to collect accurate payment for services already delivered
- Growing office personnel costs due to more employees and time needed to chase down payment

- Serious cash flow problems due to commercial insurers that pay physician bills in an average of 51 days
- Medicaid and CHIP programs that are unnecessarily complicated for providers who are rewarded with fees that fall short of the costs of delivering care
- Growing Medicare rolls with fees that don't cover the costs of delivering care now and are being arbitrarily cut at the federal level
- Tangled, complex, time-consuming regulatory compliance mandates

What does all this mean? It's simple. The number of patients needing care continues to increase within a system that does not adequately pay the costs of delivering that care. Something has got to give.

We're flirting with disaster.

A collision of forces is working against the people of this state to limit access to basic, primary health care. Without immediate corrective action on a number of fronts, this crisis will only deepen in the months and years ahead.

The Fading Outlook for Patients

The most uninsured state. Texas has the unfortunate distinction of having the nation's highest population of uninsured.

- The number of uninsured Texans rose from 21.4% in 2000 to 23.5% in 2001.
- According to U.S. Census data released in September 2002, nearly five million Texans had no coverage – almost a half million more than in 2000. Most of these uninsured Texans are adults who are not eligible for Medicaid and have no other options for accessing health care.
- These figures will rise, as small employers (including physician practices) struggle – and are increasingly unable – to provide health care as insurance premiums continue to soar an average of 12% a year.
- As a result, only 52.6% of all businesses in the state even offer health care coverage, according to Agency for Health care Research and Quality, Center for Cost and Financing Studies, and that number will continue to shrink as premiums continue to increase.

Texas has the unfortunate distinction of having the nation's highest population of uninsured.

Medicaid & CHIP enrollments continue to climb. The weakening economy and employers' cutbacks in health insurance means increased demands on Medicaid and CHIP.

- Medicaid: 2 million enrollees, or 10% of Texans. An estimated 500,000 children are Medicaid-eligible but not enrolled.
- State forecasts 10% average annual caseload growth through 2005.
- 15% of the state's elderly (319,614 seniors) rely on Medicaid.
- In 50 Texas counties, 20%+ of the elderly community has Medicaid insurance.
  — In Starr, Presidio and Maverick, +60% of elderly are Medicaid dependent
  —12% of those served by Medicaid are disabled.
- In August, 2002, a total of 517,241 children (under age 19) were enrolled in CHIP.

Medicare population rising while rates are being cut. According to Texas State Data Center projections from the 2000 U.S. Census, the state had 2.13 million individuals over the age of 65 in 2002. That number is expected to grow to 2.68 million within a decade. But as more individuals access Medicare in the coming years, physicians must contend with declining reimbursement rates. In 2002, Medicare lowered its fee schedule by 5.4%, with another 4.4% cut scheduled for March, 2003 unless Congress acts to pass legislation in January, 2003. Over the next 5 years, the scheduled cuts in Medicare will total approximately 20% for physicians caring for the elderly. These cuts severely limit physicians' ability and desire to take on new, aged patients, typically the neediest and often the sickest.

- As physicians are forced to drop out of Medicare and other programs, patients will encounter longer waits for appointments and may have to travel farther to be seen.
- Industry surveys show that 21.7% of physicians no longer accept new Medicare patients, up from 17% the previous year.

Medicare population is rising while rates are being cut.

The Fading Safety Net

The maldistribution of physicians in this state exacerbates the access dilemma.

- The supply of most primary care physicians in Texas is lower per 100,000 population than the U.S. as a whole.
- 131 whole counties and 48 partial counties are considered health professional shortage areas.
  — 24 counties have no physician
  — 19 counties have one physician
  — 22 counties have two physicians
- 176 whole counties and 47 partial counties are within federally designated medically under served areas, according to the TDH Office of Primary Care.
- 61 counties have no hospital.
- Nearly every county along the Texas-Mexico border has at least a partial shortage of primary care physicians, while 88% of rural Texas counties lack sufficient numbers of health care professionals.
- Medicaid,CHIP, and Medicare are the primary insurers in most border and rural counties. Low reimbursement rates of these programs work against efforts to attract new physicians to the regions. The resulting situation undermines not only patient access, but also the communities, overall ability to attract and retain other employers.

The following graphs illustrate just how severe the situation is, showing the Health Professional Shortage Areas (HPSA) for family practice, internal medicine and pediatricians.

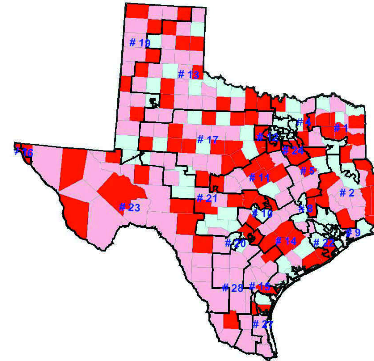


Figure 1: *PC HPSA Status (w/o FP)*

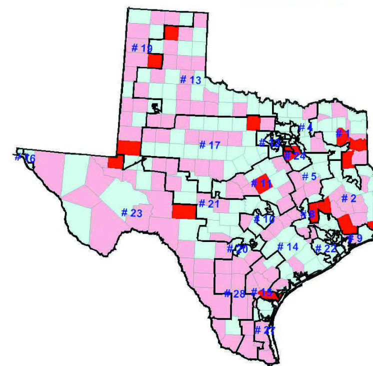


Figure 2: *PC HPSA Status (w/o IM)*

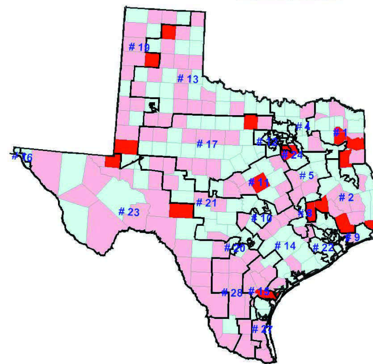


Figure 3: *PC HPSA Status (w/o Ped)*

Becomes a Full PC HPSA
Not a Full PC HPSA
Already a Full PC HPSA

Flirting with Disaster Today

The numbers aren't adding up anymore. Primary care physicians are being overwhelmed not only with the enormous responsibility of taking care of their patients, but also with the costs of running a business – collecting fees, making payroll, covering skyrocketing expenses, and having something left over for their own salaries and benefits. Any one of these factors is difficult to bear, but the combination is simply too much. Immediate action is needed to restore sanity to the business side of medicine so that physicians can once again focus on healing.

Liability premiums rocketing out of sight. As the accompanying chart illustrates, medical malpractice premiums have risen nearly 450% in the past 10 years.

Texas Medical Liability Trust Rates 1992 to present

For 500/1000 Coverage
($500,000 per occurrence and $1 million total).

Date	FP/IM	Ped	FP w/OB
1/1/92	3,889	6,940	20,153
1/1/93	4,083	6,940	20,153
1/1/94	4,573	7,426	21,161
1/1/95	5,488	7,426	21,584
1/1/96	5,735	7,548	20,909
3/1/96	5,735	5,735	20,909
3/1/97	6,309	7,548	20,909
3/1/98	6,309	6,981	20,909
3/1/99	6,624	6,981	20,909
1/1/00	7,982	7,864	24,098
7/1/00	9,239	9,239	27,295
1/11/01	11,127	9,821	32,174
7/1/01	12,351	10,901	35,713
1/1/02	14,821	13,081	42,856
1/1/03	17,044	15,043	49,284

- Texas has among the highest medical liability premiums in the country, surpassed only by major markets in Michigan and Florida.

- Primary care physicians across the state are being hit hard by the increases, including physicians in Tarrant,Nueces, and Jefferson County.

- Most embattled are those physicians practicing along the border.

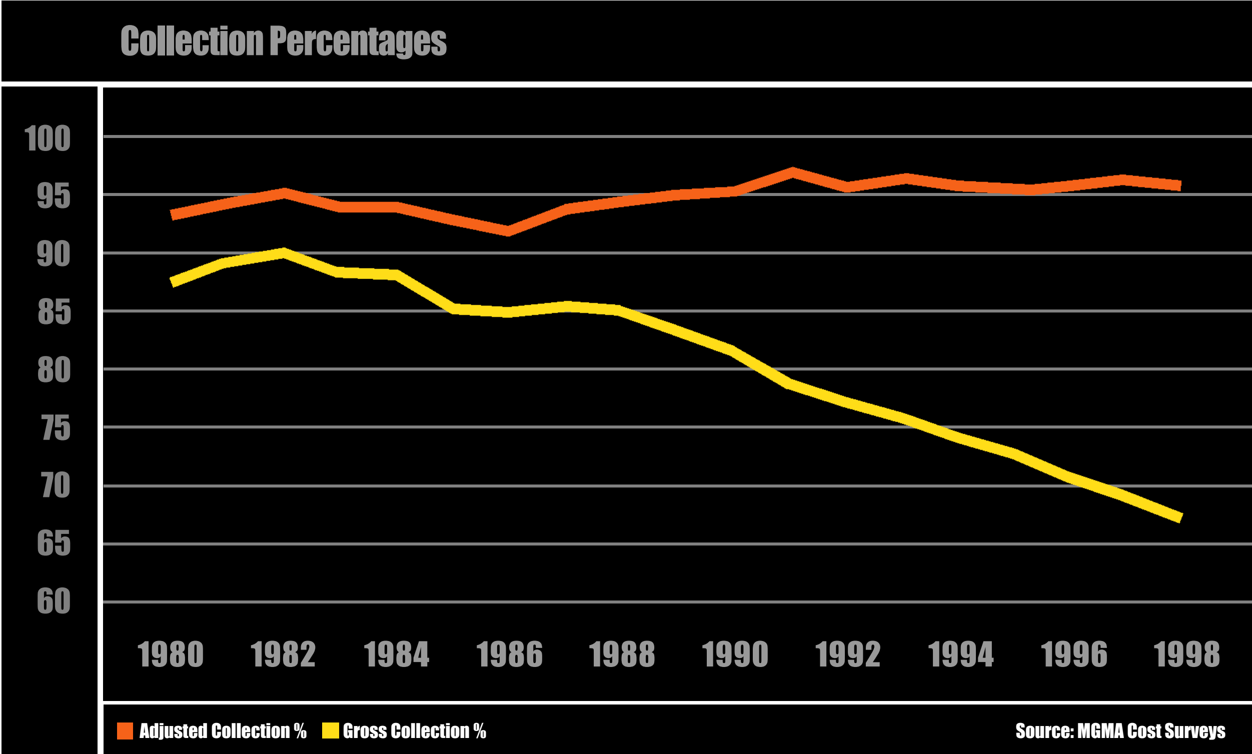
  — For example, an internist in the Rio Grande Valley paid $23,094 for medical liability in 2002 and has experienced a 131% increase in rates over the past three years. These physicians pay 35% more than their colleagues in other parts of the state who pay an average of $17,044.

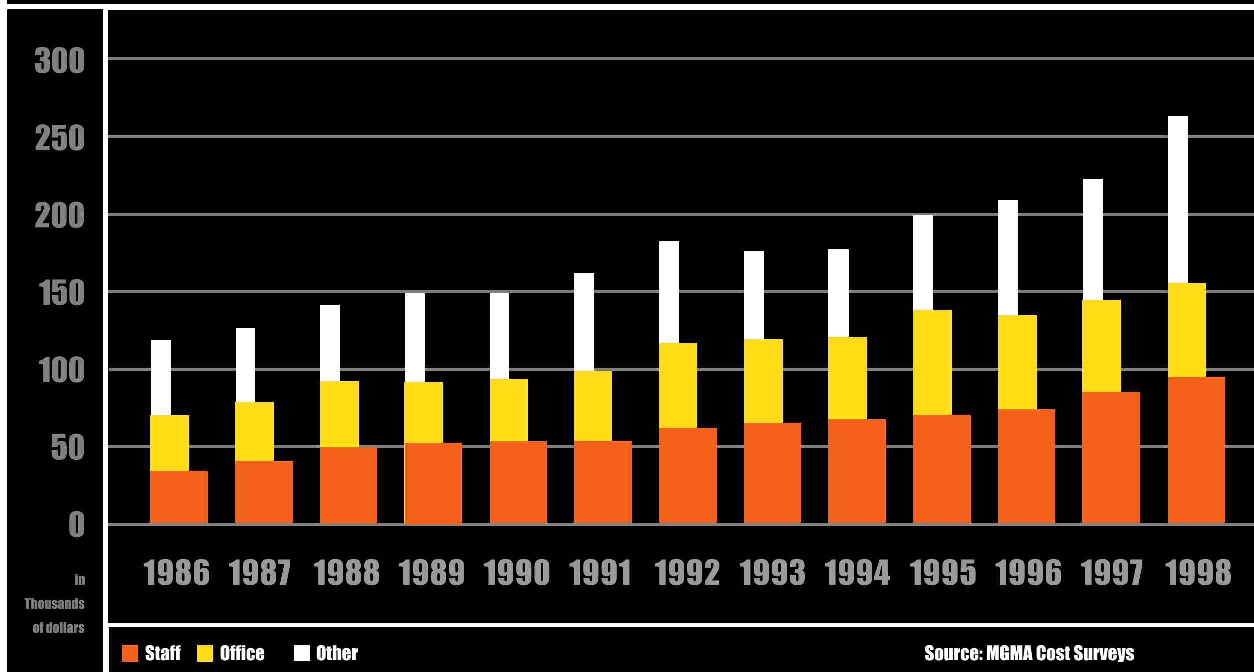
  — A recent Texas Medical Association survey reports,alarmingly, that nearly four-fifths of the physicians in the Valley are contemplating leaving the region or retiring early.

- Primary care physicians involved in delivering babies have seen 204% increases in premiums in the last three years alone. As a result,many family physicians are dropping obstetrical services, leaving mothers-to-be scrambling to find new doctors to deliver their babies. For women in rural areas, this trend means traveling longer distances to get the care they need.

Fair market practices in managed care have eluded physicians since the mid-1990s. Slow pay/low pay/no pay is a reality physicians have lived with for far too long. Tactics of third party payers have put the squeeze on physicians for years. Legislative attempts to remedy this problem date back to 1997, but unfortunately have been ineffective in dealing with the current crisis wherein physicians struggle monthly just to meet overhead expenses.

- A rising number of primary care physicians report cash flow problems so serious they must take out personal loans and second mortgages to stay in business.
- At any given time, commercial insurance companies are holding $1.6 billion in fees owed to physicians.
- Most primary care physicians have 30+ different contracts with different commercial insurance carriers. Each contract has a different fee schedule, accounts payable timetable, medication formulary, pre-certification procedure, filing requirements and definitions of "clean claims," which determines if and when a physician is paid.
- Administrative demands and complexities of the health care system have driven physicians to hire teams of support personnel.
- As hard as it is to believe, it's nearly impossible to determine what any given contract pays for any given procedure, and insurers have been notorious for changing fee schedules without notification.
- Physicians have little or no power in the negotiating process or changing contract language. A "take it or leave it" attitude prevails.





Administrative hassles continue to be burdensome and lack fairness.

- Administrative personnel costs have risen tremendously since 1990, and now cost self-employed physicians an average of $93,000 per year, according to American Medical Association Socioeconomic Monitoring Surveys.

- The federal government estimates that complying with new patient privacy laws will cost the nation's health care system $11.7 billion over the next ten years.

- Complying with the dozens of federal and state mandates often requires other personnel and/or consulting services.

- Medicaid and CHIP billing procedures are entirely different, further complicating physician office administration.

- Worker's Comp claims are so intricate to complete that many physicians are abandoning even taking injured workers cases, because it's just not worth the hassle.

Reimbursement rates are flat or declining while expenses continue to increase.

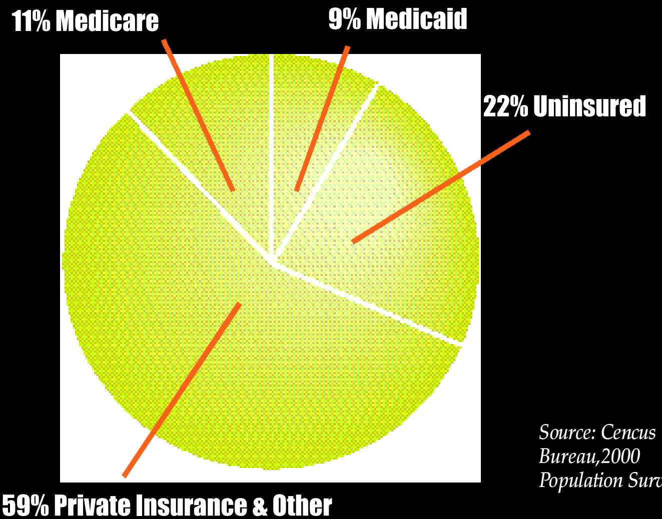
This chart shows what physicians are actually paid for industry standard costs known as Relative Value Units (RVU). For services that cost $55 to deliver, here's what primary care physicians are paid (figures rounded to nearest dollar):

Physician Reindursement

Payer	Reimbursement	Difference
Commercial Carriers:	$63	$8
Current Worker's Comp:	$62	$7
Proposed Worker's Comp:	$43	-$12
Medicare in 2001:	$39	-$16
Medicare in 2002:	$37	-$18
Medicare in 2003:	$35	-$20
Medicaid:	$28	-$27

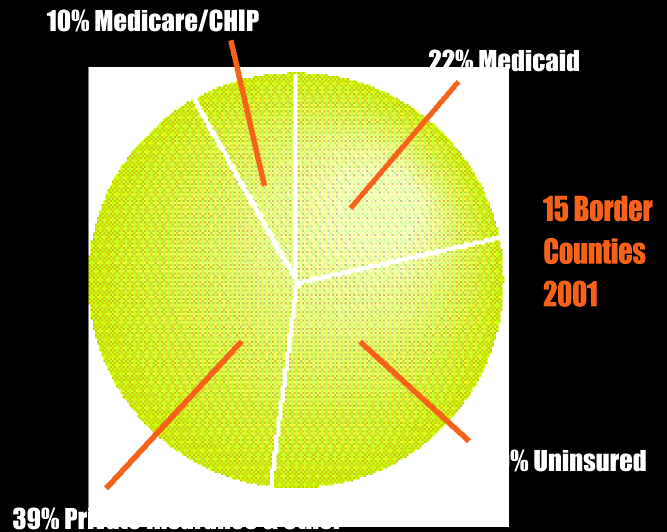
Based on economic analysis of the cost of delivering basic, quantifiable units of medical care, Medicare fees fall woefully short of covering those costs. And Medicaid pays only about 50 cents on the dollar! Because most commercial carriers and some government payers including the military program TRICARE, base their fees on Medicare rates, the 2002 and 2003 Medicare fee cuts will depress payment across the market to dangerous new lows on already thin operating margins for physician practices.

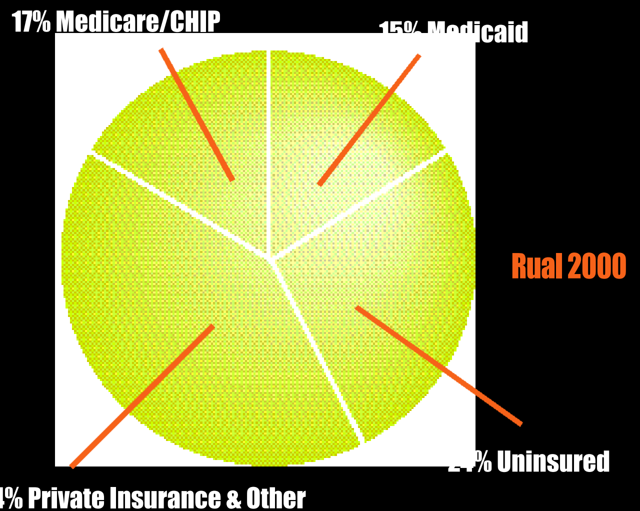
Statewide Payer Mix



Source: Cencus Bureau,2000 Population Survey

Border & Rual Payer Mix





This unrelenting onslaught has even further ramifications. Doctors who once were able to provide uncompensated care because they were being paid fairly for other services, are no longer able to provide free services for the growing number of uninsured Texans. This means that patients will receive care in the emergency room and ultimately local hospital districts will be forced to raise taxes to pay for the care.

The typical primary care practice balance sheet is bleak, according to the American Medical Association's Physician Socioeconomic Statistics 2000-2002:

- 26% goes for office expenses (rent, utilities, equipment, supplies)

- 38% goes toward non physician personnel and benefits

- Medical liability premiums for primary care physicians in Texas range from $15-50,000, depending on practice scope and location.

- Texas physicians pay $103 million for OSHA compliance, not to mention the more than 40 other state and federal regulatory and accreditation mandates, according to the Texas Medical Association.

- $10,000 in fees are required to cover Clinical Laboratory Improvement Amendments (CLIA) compliance costs for physicians who have on-site labs (TMA).

What's left over pays physician salaries and benefits.

- The average primary care physician in Texas takes home $135,000 (U.S. Department of Labor, March, 2002), with many of these professionals funding their own retirement, health (with double-digit annual increases) and disability benefits out of that salary.

- That's for an average 52.4-hour work week that often includes early morning and late night hospital rounds and frequent on-call demands.
- Rate of return on investment for medical education is lower than other less well-trained professionals, including those in business, law and dentistry.

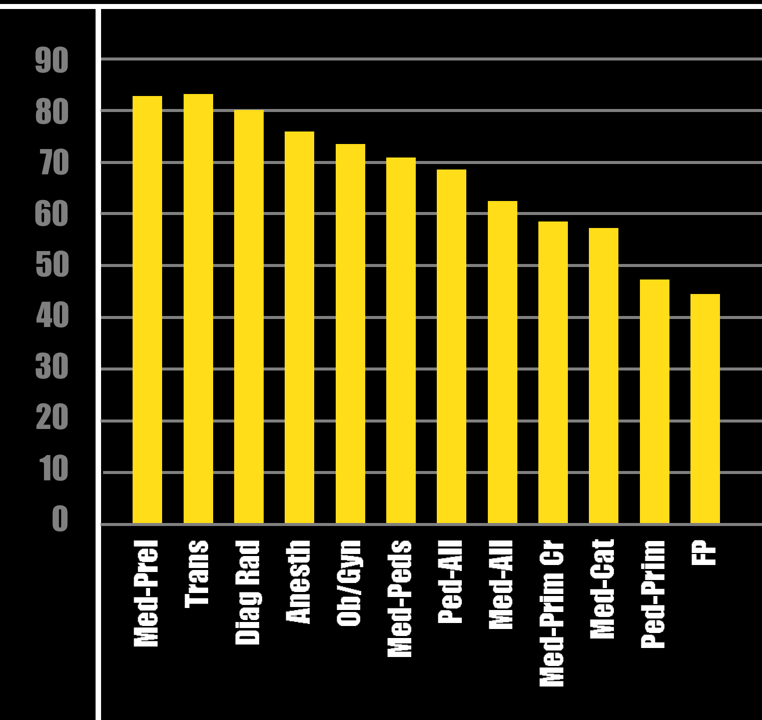
- National data show that primary care physician raises over the past five years have been at or below the inflation index for the same period, about 4%.

The numbers simply don't add up anymore.

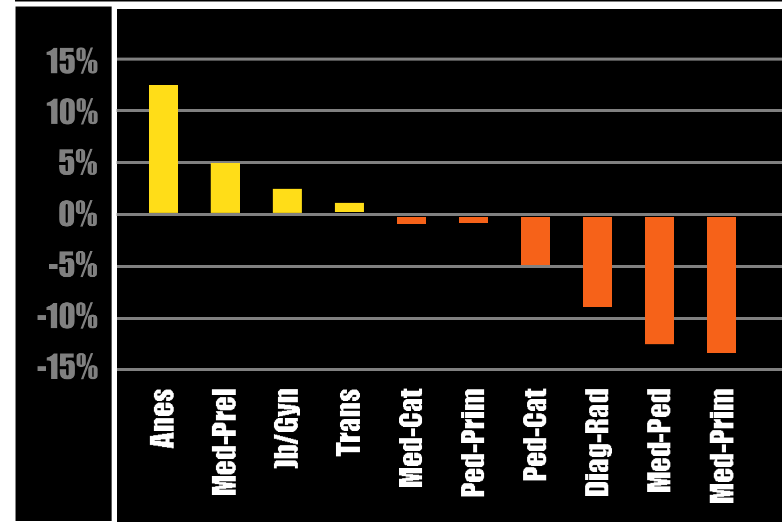
"The once sustaining intellectual reward of practicing primary care medicine and establishing long-term relationships with patients for the mutual good of the community has eroded into fear of financial insecurity, political scrutiny, legal harassment, and public embarrassment. How will it end given the continued trend in health care? Early retirement and lifestyle modification seem the only options available." Gary K. Barbin, MD Internal Medicine Waco, Texas

A Dim Future

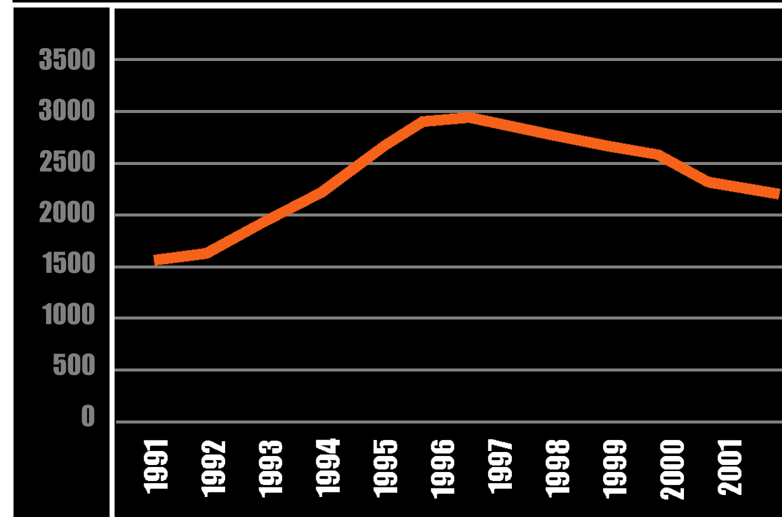
The trends for young physicians stepping in are not particularly promising,either. As these charts indicate, fewer and fewer medical students are choosing to specialize in primary care.



As a result,fewer primary care positions are being offered.



And of the positions available,fewer are being filled.



Graduates left medical school with an average of $99,089 debt in 2000, according to data from the Association of American Medical Colleges Graduation Questionnaire.There's little incentive to endure the additional expenses of opening practices anywhere in the state, much less in regions where primary care physicians are most needed, but where they are paid only pennies on the dollar for the services they've trained years to learn how to provide.

- In 2001, there was an overall decline in medical graduates choosing primary care fields for specialty residency training. U.S. medical graduates lead the way in this trend.

- The economic impact of medical students not choosing primary care impacts communities that are struggling to grow and need care the most. Without adequate medical care and facilities, those cities are less likely to attract new business and industry.

- Finally, new physician licenses in Texas in 2002 were the lowest in a decade.

Other Stresses

- While the Texas Legislature increased Medicaid fee schedules in 2001, since that time thousands of individuals have been added to the rolls, and hundreds of thousands of children are now within the CHIP safety net. Medicaid fees had been frozen for almost a decade prior to the targeted increase in 2001, which was designed only as a stopgap measure to stop the flow of physicians who were and are quitting the program. The current fees schedule pays physicians roughly 50 cents on the dollar.

- With an aging population and more patients accessing Medicare in the coming years, Texas needs to be adding physicians to these programs, not losing them.

- Along the border, and in rural areas where physicians rely most heavily on government payers, the situation has become dire.

- The Beaumont Clinic closing is likely to be only the first of such losses we'll see around the state.

A new reality in health care is now shaping the future for Texas and Texans. More and more individuals are being left and will continue to be left stranded —

- without care
- limited physician choices
- delayed care
- or in the emergency room of the closest hospital, which in some cases may be hundreds of miles away

Is this what we want for the citizens of this state?

Who Will Care for Our Communities?

This is the ultimate question facing Texas, its state government and its people. Who will be there to care for the patients of Texas when the intricacies of business drive physicians from being able to focus on medicine?

We must ask and satisfactorily resolve this question…for ourselves…for our state…for our future.

How to Stop the Fading

All is not lost. The Legislature has within its power the means to resolve this crisis. Swift legislative action is needed to improve the practice environment for Texas physicians by arresting rising overhead costs, restoring fair payment by private payers, Medicaid and CHIP, and reducing costly regulatory burdens wherever possible. Without these changes, the dangerous trends in the medical workforce will continue, meaning that fewer primary care physicians will be available to provide health care for Texans in need. The Primary Care Coalition urges the following actions in this Session:

1. Pass comprehensive medical liability reform to reign in the escalating cost of an expense that places undue financial hardship on physicians in this state

2. Pass prompt payment legislation to close the loopholes in the current statutes in order to ensure timely and fair payment of physician services.

3. Streamline administrative burdens placed on physicians by
   - **A.** Standardizing the definition of a "clean claim"
   - **B.** Standardizing physician managed care contracts that comply with Texas law
   - **C.** Eliminating duplication of multiple oversight requirements

4. Keep physicians in the Medicaid and CHIP program by protecting appropriations for physician fees, rejecting managed care roll-outs, and making administrative simplifications a reality.It's time to do the right thing.

It's time to return fairness to the health care system, and protect the health and well being of every citizen of this state.

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