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Comparison of Primary Care Physician Reimbursement Rates in the United States

Nathan Riley MD; Kelley Withy MD, PhD; Kevin Rogers MHA; Ragan DuBose-Morris PhD; and Tiffany Kurozawa

Abstract

With a growing shortage of physicians, particularly primary care physicians, the issue of adequate pay in Hawai'i is increasingly important. Anecdotal reports of low pay in Hawai'i have rarely been substantiated. Data from FAIR Health, a company that tracks private insurance reimbursement rates, is compared across the United States (US) for the CPT code 99213. In addition, FAIR Health and Medicare rates are compared for cities with both similar and disparate cost of living to Hawai'i. Hawai'i is in the second lowest quintile for payment in the US for private insurances, and providers are reimbursed significantly lower than in cities with similar cost of living by both Medicare and private insurances. Methods for increasing payment to physicians in Hawai'i are essential to recruiting the necessary workforce. Revising payment methodologies that increase pay for services in areas of unmet need, revising Medicare Geographic Price Cost Indices to better balance pay in areas of need, and making use of the 10% Medicare Bonus Program for physicians working in Health Professions Shortage Areas are first steps to creating a sustainable plan for physician payment in the future.

Keywords

Physician Payment; Reimbursement Rates; Primary Care Pay, Medicare Rates

Introduction

It has long been rumored that physicians in Hawai'i get paid significantly lower reimbursement than their counterparts on the continental US. However, this has rarely been documented. Only recently did a 2016 article in Wallethub.com describe Hawai'i as 51st worst state (out of the 50 states plus Washington DC) when physicians' annual wages are adjusted in terms of cost of living (see Figure 1).¹

With a current physician shortage of over 228 primary care physicians,² in a country that is facing an anticipated national shortage of 52,000 primary care physicians by 2025,³ Hawai'i must do everything possible to recruit and retain physicians, particularly primary care physicians. A survey completed by the Hawai'i Academy of Family Physicians in 2016 indicated that in Hawai'i, the average salary for family doctors is around \$163,000 a year for full-time employment.⁴ Compared to 2015 national estimate of \$195,000⁵ for family physicians across the US, this is significantly lower. Therefore, the authors looked for data to examine the question of reimbursement and/or salary rates in Hawai'i compared to the US mainland.

The most common place to find comparative salary information on physicians is the Medical Group Management Association (MGMA), a company that equips medical practice leaders with benchmarking data such as physician compensation for different specialties, experience level, years in practice and other variables. However, because Hawai'i does not have enough large medical groups to survey, MGMA does not perform research in the State and cannot provide salary comparisons other than by regions (which would include the entire western United States in the region).⁶

Therefore, to examine physician compensation the researchers examined private practice and Medicare reimbursement rates for an average primary care outpatient clinic billing CPT code: 99213 (basic office visit). To examine where Hawai'i falls in comparison to similar medical environments, salaries were compared to other cities with similar and disparate costs of living.

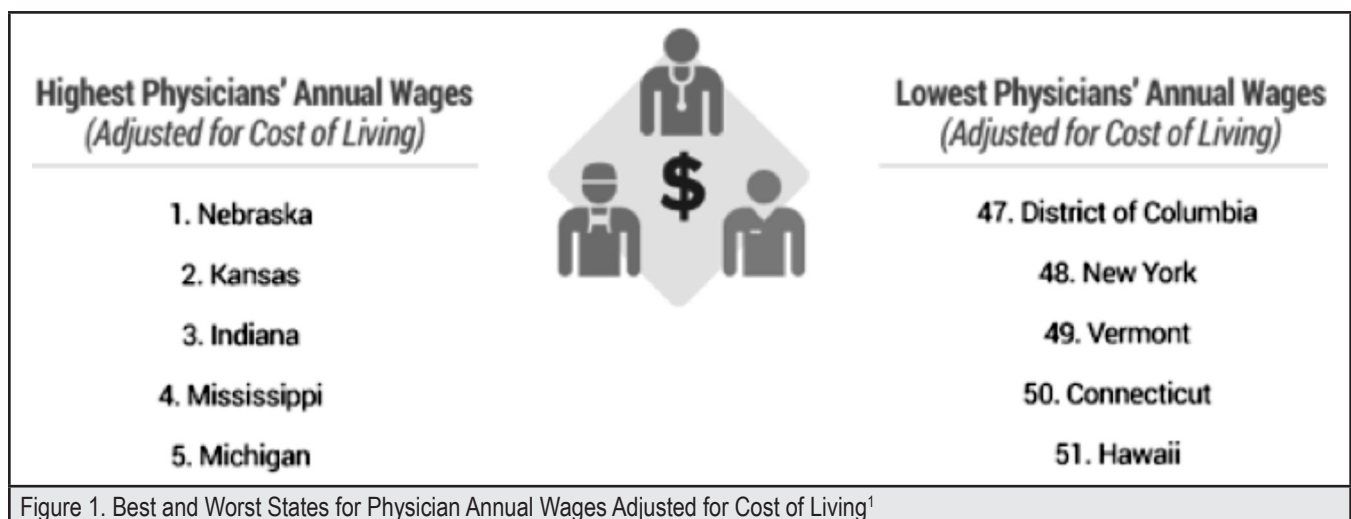


Figure 1. Best and Worst States for Physician Annual Wages Adjusted for Cost of Living¹

Methods

To study US reimbursement rates, the researchers purchased a data set from FAIR Health, an independent non-profit organization that offers for-purchase, customizable data sets in US dollar amounts for health services billed to private insurers. The data was comprised of private insurers' reported payments for CPT Code 99213 for basic office visit in the year 2012. The data was provided for 490 localities across the country, identified by "geo zip," the first three-digits in the five-digit zip code. This data was compiled and mapped using ArcGIS Geographic Information System software (ESRI Redlands, CA) for all available geozip locations (see Figure 2).

FAIR Health also has a public site for patients to search comparable costs for care that was searched for updated reimbursement numbers for a 99213 visit in 2016 using the zip codes of downtown areas of cities comparable to Honolulu. These estimates of payment to physicians are available to the public at no charge. The researchers searched FAIR Health data from their Medical Cost Lookup page⁷ for more recent data on estimates of reimbursement rates and this is included in Table 1.

In addition, the Centers for Medicare & Medicaid Service's (CMS) 2016 non-facility fees for CPT Code 99213, a basic office visit, were obtained from CMS website⁸ in early 2016. To obtain this data, the following fields were selected: 2016/Pricing Information/Single HCPCS Code/All MACs/HCPCS: 99213/Modifier: Global (Diagnostic Service) OR Physicians Professional Service where Professional/Technical concept does not apply. This information is available to the public at no charge. The research team examined Medicare reimbursement rates in cities with both very similar and significantly lower cost of living indicators to provide an idea of comparative payment across the US.

In order to determine cost of living in different areas, the researchers utilized Cost of living information was found at www.numbeo.com.⁹ This site averages the cost of many expenses of daily living including: Salary and financing, apartment rental and purchase prices, clothing costs, sports and leisure costs, food costs, transportation costs and utilities. This source uses New York City as a level of 100 and all other cities are compared to that. Because there is no standard adjustment for health costs, the researchers did not try to adjust reimbursement rates by cost of living, but provided information on cities with similar cost of living listings, as well as markedly different cost of living estimates.

Results

The range of payment for a 99213 visit by private insurance in 2012 according to the FAIR Health dataset was between \$76 to \$199, with Hawai'i physicians receiving \$100 a visit on average. Medicare physician fee schedule for 2016 for a non-facility CPT code of 99213 ranges from \$60.96 to \$93.91, with Hawai'i being paid \$77.86. Thus, Hawai'i is in the lower to mid range in payments from different insurances, despite being one of the most expensive states in which to live.

The FAIR Health dataset of 2012 data indicates that the amount paid to physicians per visit varies significantly in different areas of the country (see Figure 2).

Table 1 lists the FAIR Health 2016 Medical Cost Lookup amounts for reimbursement, the 2016 Medicare payments for a 99213 office visit and the Cost of Living estimates for the only two more expensive cities in the US and a number of less expensive localities in the US. Of these cities with lower cost of living, many of them have average private insurance pay and/or Medicare pay at rates higher than Honolulu. Thus, while New York and San Francisco have a similar cost of living, payment from private insurance is 70% to 123% higher in these cities than in Honolulu.

Discussion

This study substantiates that physicians in Hawai'i receive lower rates of reimbursement than physicians in areas of the US with similar cost of living, by examining both private insurance and Medicare reimbursement rates. Lower reimbursement is a debilitating factor for recruiting and retaining physicians in Hawai'i. With the high cost of living in Hawai'i (see Table 1), it is even more important that reimbursement rates be improved. For private insurers, higher reimbursement rates must be implemented by each company individually. Therefore, it behooves the insurance companies to create administrative efficiencies that can allow for improved reimbursements for physicians, particularly primary care physicians. In addition, new payment methodologies that emphasize provision of necessary care, particularly in areas with shortages, can help improve the available workforce in those areas.

One method to improve physician payment in Hawai'i for Medicare patients would be adjustment of the Medicare Geographic Price Cost Indices (GPCI). Medicare is designed to adjust for geographic differences by using as 91 different payment rates depending upon the GPCI for the region in question. These different adjustment factors can be found at <http://satro.org/apc-rvu2016/2016%20GPCIs.pdf>.¹⁰ The three GPCI variables are based on: work GPCI, practice expense (PE) GPCI, and malpractice (PLI) GPCI. Work GPCI includes physician payments, PE GPCI includes rent expense and employee wages, and PLI GPCI includes all fees associated with malpractice insurance. Adjusting any of these variables will affect the payment for a specific service in a specific locality. Manipulating these variables could have important and positive impacts on the payments made to providers in their respective localities of practice.

Medicare is currently revising its payment methodologies through the Medicare Access & CHIP Reauthorization Act of 2015 (MACRA). This move toward value based payments will impact all physicians who care for Medicare patients. Notably, these changes come in the form of ending the Sustainable Growth Rate (SGR) formula for determining Medicare payments for health care providers' services, making a new framework for rewarding health care providers for giving better care not just more care and combining existing quality reporting programs

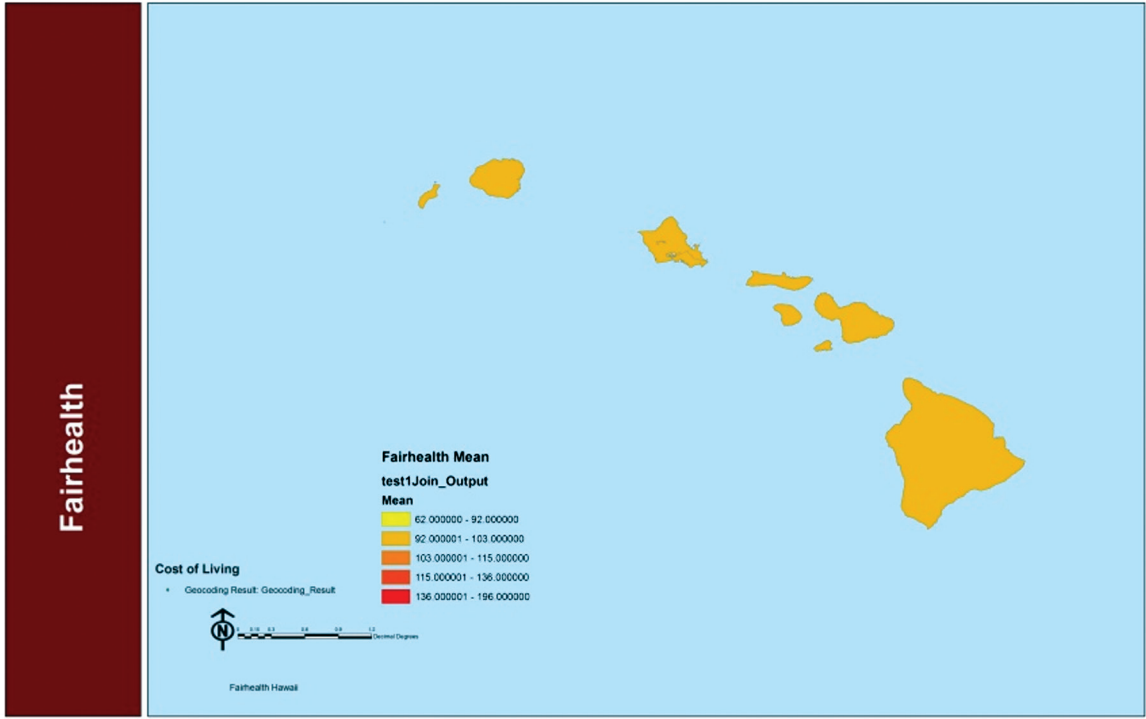
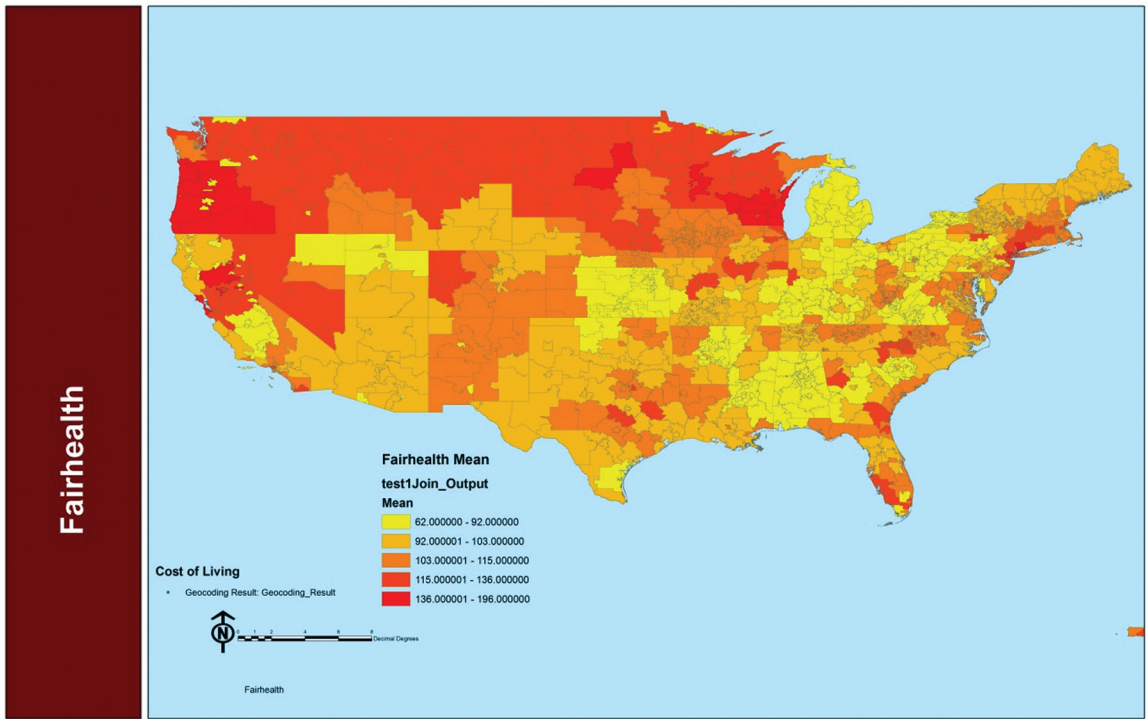


Figure 2. Private Insurers' Reported Payments for CPT Code 99213 in 2012.

Table 1. FAIR health and Medicare Payment by Cost of Living Estimates ranked by City 2016, payments higher than those of Hawai'i in bold

Location	FAIR Health estimate payment (2016) ⁶	Medicare payment (2016) ⁷	Cost of Living (2016) ⁸
New York City	\$175.00 (10001)	\$83.19	100.00
San Francisco	\$230.30 (94102)	\$88.81	98.47
Honolulu	\$103.83 (96813)	\$78.40	97.55
Washington, DC	\$101.50 (20001)	\$83.29	94.62
Anchorage	\$133.70 (99501)	\$93.91	97.40
Las Vegas	\$105.70 (89101)	\$75.37	71.84
Chicago	\$147.70 (60605)	\$77.85	83.54
Minneapolis	\$126.70 (55415)	\$72.42	83.11
Portland, OR	\$135.80 (97232)	\$74.61	79.70
Los Angeles, CA	\$158.20 (90021)	\$80.62	80.44
Orlando, FL	\$105.00 (32801)	\$72.74	79.55
Houston, TX	\$102.20 (77002)	\$74.16	75.39
Phoenix, AZ	\$105.00 (85006)	\$73.09	68.55
Kansas City, MO	\$98.00 (64108)	\$71.73	68.25

into one new system. However the latest information available to the research team suggests that this new payment system will not change the GPCI.¹¹

Another action to assist in raising provider reimbursement in Hawai'i is to maximize utilization of the Centers for Medicare & Medicaid Services (CMS) Health Professions Shortage Area Physician (HPSA) Bonus Program. This Bonus program provides the physicians a 10% bonus in their pay if they render service in a designated HPSA to patients covered by Medicare. The bonus is given based on the amount paid for the service and is paid to the professionals quarterly.¹² While this study has many limitations, including comparing data from multiple data sources, it is clear that Hawai'i suffers a disparity in pay that needs to be remedied. Future research could include tracking adequacy of physician workforce in areas with improved reimbursement or pay for physicians.

Conflict of Interest

Authors report no conflicts of interest.

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