

Physician Pro Bono Care Act H.R. 856

The **Physician Pro Bono Care Act (H.R. 856)** would encourage more than 1.2 million physicians to provide pro bono health care to low income—“Medicaid eligible”—families and individuals by enabling the physicians to take a simple charitable tax deduction in place of the administratively costly and complex Medicaid and CHIP reimbursement process.

**Expanding Access to Health
Care for Lower Income
Americans**

**Save Billions Annually on
Medicaid and CHIP
Expenditures**

HUGE SAVINGS POTENTIAL!

Charitable Tax Deduction vs. Medicaid/CHIP Payouts	
Outpatient ER Visits	95% Savings <i>or 1/20 of a Medicaid payout</i>
Physician Office Visits	50% Savings <i>or 1/2 of a Medicaid payout</i>
Dental Visits	21% Savings <i>or 1/5 of a Medicaid payout</i>

Review the rest of the packet for more information.

Sponsored and Presented by



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OVERVIEW

This bill responds to a critical national need at less governmental cost and will serve:

- To encourage medical care professionals, including physicians, to provide pro bono services for any Medicaid-qualified individual patient to freely offer services to them.
- To increase access to medical care for the poor by enabling indigent individual and family “choice” physician relationships as a genuine alternative institutional care and hospital emergency room costs billed to Medicaid and CHIP.
- To save the Federal and State governments billions of dollars in Medicaid and CHIP payouts net of the cost of the deduction to tax revenue.

THE WINNERS

73 MILLION-PLUS MEDICAID ELIGIBLE PATIENTS! Enables them to develop long standing patient-physician relationships, as opposed to having to rely upon institutional care, such as hospital emergency rooms, for routine non-acute care.

PHYSICIANS! Enables and encourages them to provide direct services to Medicaid and CHIP eligible individuals and avoid the excessive administrative costs of the complex and laborious Medicaid and CHIP reimbursement processes that is causing many physicians to decline Medicaid patients.

FEDERAL AND STATE MEDICAID BUDGETS! Reduces the burden and demand for reimbursements by billions each year by diverting patients from Medicaid and CHIP to physicians and non-hospital clinics.

TAXPAYERS! Avoid increases in their tax burden by providing a more market-based incentive through enabling physicians and clinics to have a simple alternative “reimbursement mechanism”—a tax deduction—to the administratively costly Medicaid processes.

THE TAX CODE PROBLEM

The Internal Revenue Code, even as amended in the recent legislation, does not recognize the value in terms of overall net Medicaid savings to be achieved by enabling physicians to receive a charitable tax deduction for pro bono services provided directly to indigent Medicaid-qualified individuals. It only permits their contribution of pro bono services to charitable services institutions (a 501(c)(3)) to be deductible and not those medical care services provided directly to individuals in their clinics or service offices.

The bill provides the correction and encourages a “market-based solution” in the form of a charitable income tax deduction for cooperating physicians, urgent care centers, and clinics by encouraging them to provide medical care services to those who are not presently covered by insurance and must rely on Medicaid and CHIP. Participating physicians would be able to claim a deduction based upon the value of the service performed, based on either Medicare reimbursement rates or their customary posted fees in the state or county in which they are located.

HERE IS HOW IT WILL WORK – A MEDICAID & CHIP SAVINGS ILLUSTRATION

The Background Facts

73,633,050 individuals were enrolled in Medicaid and CHIP in the 50 states and the District of Columbia reporting May 2018 data. 67,168,933 individuals were enrolled in Medicaid and 6,464,117 individuals were enrolled in CHIP.

(Source: <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights>)

32% = Estimated tax deduction rate for charitable medical services under new tax law

Average Medicaid Reimbursement Rates:

- **Medical ER services:** Medicaid rates are generally equal to Medicare reimbursement rates
 - Hospital ER outpatient visit 2016 price average = \$1,917
(Source: Health Care Cost Institute, “2016 Health Care Cost and Utilization Report”)
 - Average ratio of hospital price to Medicare FFS rate = 1.89 or the Medicare FFS rate = 53% of the hospital price
(Source: CBO, June 26, 2017, “An Analysis of Hospital Prices for Commercial and Medicare Advantage Plans”)
 - Hospital ER Medicare reimbursement = 53% of hospital price of \$1,917 = \$1,016
 - Corresponding Medicaid ER reimbursement approximately the same as Medicare
(Source: Medicaid and CHIP Payment and Access Commission, April 2017 report of MACPAC to Congress, “Medicaid Hospital Payment: A Comparison across States and to Medicare”)
- **Physicians’ Office Visits**
 - \$106.60 mean Medicaid 45 minute visit charge (Source: Urban Institute, “Medicaid Physician Fees after the ACA Primary Care Fee Bump,” Stephen Zuckerman, Laura Skopec, and Marni Epstein, March 2017)
- **Dental Services**
 - The 2013 median (50% percentile) charge for a patient office visit was \$254.
(Source: American Dental Association-Health Policy Institute Research Brief: “The Per-Patient Cost of Dental Care, 2013: A Look Under the Hood,” March 2016.)
 - 49.4% of the dental service charge for children (CHIPS) (vs. 80.5% insurance reimbursement rate)
 - 37.2% adults (vs. a 78.6% insurance reimbursement rate)
(Source: American Dental Association-Health Policy Institute, Research Brief: “Medicaid Fee-For-Service Reimbursement Rates for Child and Adult Dental Care Services for all States, 2016”)

Illustrative Calculations of Annual Savings in Medicaid Expenditures

1. ER Visits = Up to a 95% Savings

- 27.1% of 73.6 million persons visiting ERs = 19.945 million persons visiting
(Source: MACPAC, Section 5, Exhibit 45, “Use of Care Among Non-institutionalized individuals...2015”)
- 19.945 million persons x \$1,016 charge per visit = **\$20.3B in Medicaid/CHIP payout**

- **If only 7 million of the 19.945 million persons visiting the ER went instead one time to a physician at an average \$160 office visit rate x 32% tax deduction rate = \$50, the cost of the deduction would be \$358 million or 1/20 the cost of the Medicaid ER payout of \$7.1B for same number, e.g., a \$6.6B* in savings.**

2. Physician / Health Professional Visits & Charges = 50% Savings

- 69.1% of 73.6 million persons visiting at least once per year = 50.8 million persons
(Source: MACPAC, Section 5, Exhibit 45, "Use of Care Among Non-institutionalized individuals...2015")
- 50.8 million persons x \$106.60 mean Medicaid 45 minute visit charge = **\$5.4B Medicaid payout**
(Source: Urban Institute, "Medicaid Physician Fees after the ACA Primary Care Fee Bump," Stephen Zuckerman, Laura Skopec, and Marni Epstein, March 2017)
- **If all 50.8 million persons sought physician care at an average \$160 office visit rate x 32% tax deduction rate = \$50, the cost of the deduction would be less than half or 50% of the Medicaid payout, or \$2.8B* in savings.**

3. Dental Visits and Charges = 21% Savings

- 52.5% of the 73.6 million persons with at least 1 visit = 38.6 million persons
(Source: MACPAC, Section 5, Exhibit 45, "Use of Care Among Non-institutionalized individuals...2015")
- 38.6 million persons x \$254 average cost (teeth cleaning and cavity repair) = \$9.8B regular charge
- \$9.8B regular charge x 40% est. average (child and adult) Medicaid reimbursement rate = **\$3.9B Medicaid payout**
 - o Medicaid average reimbursement rate for child = 49.4%
 - o Medicaid average reimbursement rate for adult = 37.2%
(Source: American Dental Association-Health Policy Institute, Research Brief: "Medicaid Fee-For-Service Reimbursement Rates for Child and Adult Dental Care Services for all States, 2016")
- **If all 38.6 million persons went to a dentist taking the charitable deduction of an estimated 32% of the average service fee of \$254, the cost of the deduction would amount to \$3.1B* or approximately 21% less than a \$3.9B Medicaid payout.**

* These figures are for illustrative purposes only and could vary greatly.

Sources

Congressional Budget Office, June 26, 2017 presentation, “An Analysis of Hospital Prices for Commercial and Medicare Advantage Plans.”

US Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS), Center for Medicaid and CHIP Services, “May 2018 Medicaid and CHIP Application, Eligibility Determinations, and Enrollment Report.”

Health Care Cost Institute, a Washington, DC-based non-profit, independent, non-partisan research institute dedicated to creating the United States’ most comprehensive source of information on health care activity and promoting research on the drivers of escalating health care costs. HCCI’s data holdings include claims for over 40 million people covered by employer-sponsored insurance. The “2016 Health Care Cost and Utilization Report” is based on analyses of HCCI’s leading commercial claims database representing the under-65, employer-sponsored insurance (ESI) population in the United States.

American Dental Association (ADA) – Health Policy Institute. The ADA is the national professional association of dentists, serving 161,000+ members and its Health Policy Institute is the science and research division of the ADA. The source reports are:

- (1) “Medicaid Fee-For-Service Reimbursement Rates for Child and Adult Dental Care Services for all States, 2016”
- (2) “The Per-Patient Cost of Dental Care, 2013: A Look Under the Hood,” March 2016

The Medicaid and CHIP Payment and Access Commission (MACPAC) is a non-partisan legislative branch agency that provides policy and data analyses and makes recommendations to Congress, the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children’s Health Insurance Program (CHIP). The U.S. Comptroller General appoints MACPAC’s 17 commissioners. MACPAC serves as an independent source of information on Medicaid and CHIP, publishing issue briefs and data reports throughout the year to support policy analysis and program accountability. The Commission’s authorizing statute, 42 U.S.C. 1396, outlines a number of areas for analysis. The sources cited are:

- (1) MACStats “Medicaid and CHIP Data Book, Dec. 2017,” and
- (2) April 2017 report of MACPAC to Congress, “Medicaid Hospital Payment: A Comparison across States and to Medicare”

Urban Institute, a Washington, DC-based 50-year old non-profit research organization, and its report “Medicaid Physician Fees after the ACA Primary Care Fee Bump,” Stephen Zuckerman, Laura Skopec, and Marni Epstein, March 2017.