



RURAL PROVIDERS TO POTENTIALLY FACE UNEXPECTED MEDICARE CUTS

By Brian Ackerman and Kelly Van Ochten

Many physicians in North Carolina may be facing an unanticipated 10 percent reduction to their Medicare reimbursement as a result of continued pressures at the Federal level to curb Medicare spending. The reduction is expected to impact rural providers located in geographies that have historically been designated as Health Professional Shortage Areas (HPSA), and could have a significant impact on the hospitals currently serving those regions.

Currently, physicians located in areas designated as primary care HPSAs receive a quarterly bonus payment from Medicare equal to 10 percent of their professional service Medicare payments. However, of the 20 North Carolina counties currently designated as primary care HPSAs, nearly half are proposed to have that designation removed, which could potentially force physicians out of those communities or cause them to look toward the hospital for potential assistance through other arrangements/models as a way to stay in their current location.

Requirements for Bonus Payment

There are three primary types of HPSA designations: geographic regions, specific populations, and individual health care facilities. And each of these three types of HPSAs could be designated based on a shortage of either primary care, dental, or mental health care providers. These various forms of HPSAs are important to understand because the Bonus Medicare Incentive Program awards 10 percent Medicare bonus payments only to physicians who provide medical care services in geographic areas that are designated as primary care HPSAs. These bonus payments are based on the location that the medical service is rendered and apply to all physician specialties, not just primary care. Bonuses are paid on a quarterly basis and are only given for physician's professional services; technical components are not covered.

According to the Department of Health and Human Services, Health Resources and Service Administration, a geographic primary care HPSA is determined using the following criteria:

- The geography must be a rational area for delivery of primary medical care services;
- The geography must:
 - Have a ratio of population to full-time equivalent, primary care physicians of at least 3,500:1; or,
 - Have a ratio of population to full-time equivalent, primary care physicians of less than 3,500:1 but greater than 3,000:1, and have unusually high needs for primary care services or insufficient capacity of existing primary care providers
- The geography must demonstrate that primary medical professionals in contiguous areas are over-utilized, excessively distant, or inaccessible to the population under consideration

Physicians practicing in zip codes that fall entirely within a geographic primary care HPSA should be receiving their Medicare bonus payment automatically. However, for the handful of physicians that might be located in a geographic primary care HPSA, but have a zip code that does not fall entirely in that HPSA, they are currently required to include an extra modifier when submitting their claims to Medicare.

Who is at Risk

In North Carolina, HPSAs are currently classified into one of three categories: *designated*, *proposed withdrawal*, or *withdrawn*. If the status of a geographic HPSA is *designated* or *proposed withdrawal*, physicians in the area are still eligible for the 10 percent Medicare bonus. In fact, physicians will continue to receive the Medicare bonus, until the status of the area is updated to *withdrawn*. However, it is important to note that an area with a *proposed withdrawal* status has been determined to no longer satisfy the criteria of a geographic HPSA. Unless supplemental data is provided demonstrating that an area satisfies the criteria listed above, that particular HPSA will lose its designation and all associated benefits.

Figure 1
Counties Proposed for Withdrawal

County	Estimated Active Physicians*
Anson	15
Bertie	9
Caswell	8
Columbus	57
Franklin	31
Pender	20
Person	36
Randolph	124
Robeson	139

*Source: Cecil G. Sheps Center

Forty North Carolina counties have, at one time, been designated as geographical primary care HPSAs. However, since 1981 a total of nineteen counties have had their HPSA designations withdrawn, and another nine have a current status of *proposed withdrawal*. According to the Health Resources and Service Administration, the counties listed in Figure 1 no longer satisfy the required criteria of a geographic primary care HPSA, and unless supplemental data is provided to demonstrate that is not the case, the over 400 physicians in these counties will no longer receive their 10 percent Medicare bonus payments upon conversion to *withdrawn* status.

In addition, eleven North Carolina counties are currently classified as primary care HPSAs. These counties, identified in Figure 2, are considered to currently meet the criteria outlined by the Health Resources and Service Administration. However, these counties might also be at risk of losing that status and should monitor their position relative to the required criteria.

Figure 2
Designated Counties

County	Estimated Active Physicians*
Alexander	14
Clay	7
Currituck	6
Gates	1
Graham	5
Hoke	13
Montgomery	8
Northampton	7
Tyrrell	0
Warren	1
Washington	7

*Source: Cecil G. Sheps Center

What Should You Do

If you are located in a county whose status is classified as either *proposed withdrawal* or *designated* the following guide includes steps you can take to either maintain your status or prepare for the potential withdrawal of your county.

1. Keep in mind, Medicare bonus payments will continue to be paid to physicians until the classification of their county changes to *withdrawn*. As a result, your first step should be to ensure that the physicians in your county are aware of this designation and are receiving the appropriate bonus payment from Medicare. Have conversations with those physicians to better understand their level of reliance on those payments, and the potential impact on their practice should those payments be removed. This information will be invaluable as you consider how your organization might be required to respond should the removal of those payments significantly impact some providers.
2. Next, estimate where your county stands relative to the criteria for geographic primary care HPSAs. Specifically, establish a current and accurate count of primary care providers in your county. Statewide sources such as the Cecil G. Sheps Center for Health Services Research or the North Carolina Medical Board provide a great baseline estimate of physician supply. Additional "on the ground" research can then be completed to adjust that supply based on recent additions/departures and the full-time equivalent (FTE) status of providers. Generally this information can be obtained through conversations with your medical staff office and follow-up calls to practices, if necessary.
3. Once you have arrived at a current estimate of primary care FTEs you should compare the ratio of your county's population to its number of FTEs. If your ratio is greater than 3,500:1, your county may be eligible to be a *designated*, primary care HPSA. If this is the case and your county's status does not reflect that, you can contact the Office of Rural Health and Community Care within the North Carolina Department of Health and Human Services for more information. Supplemental data can be supplied to support a dispute to your county's current designation.

Completing these steps will help ensure that your doctors are aware and taking full advantage of Medicare bonus payments, while also considering physicians' reliance on these payments, to ensure that you are prepared in the event that they are removed.

HPS and members of its team of professionals have extensive experience in both regulatory planning and physician/medical staff planning. Although HPS works with providers from across the nation, HPS has a specialized knowledge of North Carolina providers, particularly those located in rural communities. If you have any questions about the issues discussed in this article, or medical staff planning in general, please contact Brian Ackerman at BrianAckerman@HealthPlanningSource.com.