



# **Physician Recruitment and Retention Incentives**

**Reference Paper**

Communities Connect

**June 2004**



## Problem

Many Washington State communities are struggling with recruitment and retention of physicians in primary care and many specialties. Those physicians that are in practice are severely limiting or closing their practices to Medicare and Medicaid patients due to declining and reimbursements and rising medical malpractice costs. The result is a growing access challenge where even those who have insurance may not have access to a physician. The combined effect of growing Medicare, Medicaid and uninsured populations and continued cuts in state and federal programs and reimbursements is leaving local providers and communities with the “on the ground” responsibility (but few resources) for addressing the health care needs of their communities.

## Background

The issue of physician supply in most communities (not just rural) is a growing challenge because:

1. ***The supply of medical school graduates is declining at a time the demographic trend indicates a need for an increase:***
  - The percentage of Washington state medical school graduates per 100,000 population dropped 27% between 1988 and 1998 compared with a 7% decline nationally. Washington state is ranked 43<sup>rd</sup> among the 46 states with medical schools in graduates per capita. (Source: Bureau of Health Professions, Health Resources and Services Administration, U.S. Department of Health and Human Services, “HRSA State Health Workforce Profile: Washington:., December 2000, page 29)
2. ***Competition for medical school graduates is increasing and economic issues are a high priority for graduates looking at practice opportunities.*** New physicians have high loan obligations upon graduation and are seeking openings that insure a good salary and economic stability.
  - As competition increases and the immediate need for economic stability grows for physicians, states and communities that have low reimbursement rates and high Medicare and Medicaid populations are unattractive to new physicians.
3. ***Declining Medicare reimbursement to providers nationally and the graphic variability in Medicare payments puts Washington State 45<sup>th</sup>***

***in the nation for reimbursement per Medicare beneficiary impacting recruitment of needed physicians.***

- Total Medicare spending rose 24% in the last five years while physician fees were cut 5.4 % in 2002 with expected total cuts of 17% in 2002 (Source: New York Times, 3/16/02)
  - Recent Medicare legislation increased spending for new benefits (prescription drugs) but did not address provider reimbursement inequities
4. ***Washington State Medicaid reimbursement has historically not kept up with the actual cost of providing care and is an administrative nightmare for providers.*** The managed care approach to care delivery and recent changes in eligibility requirements to reduce the Medicaid roles statewide are further shifting the administrative burden and responsibility to the local provider level.
5. ***Medical malpractice rates (although a problem nationally) have risen by anywhere from 25% to over 100% annually for Washington State physicians particularly those practicing obstetrics.*** The result is physicians leaving practice all together, moving to states that have some level of medical malpractice reform or restricting their practices to services that don't have associated high malpractice rates like obstetrics...
- In 2003 over one third of Whatcom County, Washington delivering physicians stopped seeing obstetrics patients, largely due to sharp increases in malpractice premiums. This is at the same time the community has a recognized need for an additional **14** obstetrics providers.
  - The American College of OB/GYN's has identified Washington State as one of nine "red alert" states because of the negative impact of growing malpractice premiums.
6. ***The economic viability of private physician practices in Washington state are in jeopardy due to 1) declining reimbursements for federal and state programs that do not cover the cost of care, 2) growing uncompensated administrative burdens and 3) the growing payment pressure from private insurance carriers that limits the ability to cost shift.***
- Although Community Health Centers and some Washington State communities qualify for Federal and State support (enhanced reimbursement, loan repayment programs, etc due the population being served or their rural status), many community private practitioners do not qualify for this relief. Private practicing physicians are a critical component of addressing needed community access. For example in Whatcom County, a community in need of 20 or more new physicians to meet local demand, 85% of the capacity is provided by private physicians.

*The overall impact of all of these factors is lower average salaries for private physicians and less ability to provide needed support (loan repayments, etc.) to new medical graduates who seek more attractive economic opportunities in other parts of the country. At the same time physicians in established practices are limiting their practices leaving the state for more attractive options nationally.*

### **Policy Proposals:**

1. ***Provide incentives for physicians to establish private practices in communities with a defined need for new practitioners and willing to meet criteria for serving underserved populations.*** This could include access to state supported recruitment programs, B&O tax waivers, salary guarantees, loan repayments, etc. Screening could be done in partnership with community based (many times hospital based) physician recruiting and retention programs.
2. ***Address barriers associated with Medicaid and other state programs that continue to increase paper work, reduce patient eligibility and shift administrative and care management responsibility to local providers.***
  - Address reimbursement issues
  - Streamline systems by eliminating practices that are not cost effective for the state or provider and incentives that encourage cost savings to be passed on to providers who make the system work “on the ground”. (Use Whatcom County provider data as basis to identify opportunities)
3. ***Provide malpractice premium stability for practicing physicians:***
  - Provide malpractice insurance options that stabilizes existing medical malpractice premium increases. Options include working with the State Insurance Commissioners office to establish a state run and supported program or to broaden a bipartisan study group now being established in Whatcom County to identify opportunities and prepare a proposal for submission to the 2005 Washington State Legislative Session (See attached).
  - Redirection of a portion of existing B & O taxes paid by private providers could be a contributing resource to a med mal solution, justified similar to the B&O tax relief offered to Boeing. In FY 2003 private health care providers in the state paid an estimated \$56,000,000 in B&O taxes.

## Proposal

### **Whatcom Alliance for Healthcare Access Medical Liability Insurance Study Group (As of June 1, 2004)**

**Charge and Purpose:** To evaluate best practices around the country and pursue a variety of alternatives to develop a viable medical malpractice solution for Washington State. This solution will address the rising medical malpractice rates that are affecting healthcare access and address patient safety concerns. The goal would be to have an effective proposal in place by next legislative session

#### **Proposed Group Makeup:**

- WAHA members (including reps from WCMS, hospital, NWRC, consumers, insurers and other provider groups)
- A qualified insurance actuarial
- Elected Officials from each party or their reps
- State Insurance Commissioner representative
- Business representative
- Other experts as needed

#### **Proposed Timeline (to be further refined):**

- Seek elected official support by June 15
- Form Group by July 1
- Finalize scope of work by July 15
- Initiate best practices search by July 1
- Develop draft proposals by August 30
- Seek input and solicit support from other communities and interest groups.
- Finalize legislative proposal by October 1