


Government of the District of Columbia  
Office of the Chief Financial Officer



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** December 17, 2010

**SUBJECT:** Fiscal Impact Statement – “Medicaid Physician and Specialty Services Rate Reduction Approval Resolution of 2010”

**REFERENCE:** Draft Legislation—No Bill Number Available

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**Conclusion**

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in estimated local savings of \$2.8 million in FY 2011 and \$10.7 million over the FY 2011 through FY 2014 financial plan period.

**Background**

The proposed resolution would approve<sup>1</sup> the proposed amendment to the District of Columbia State Plan for Medical Assistance that would reduce Medicaid fee-for-service physician and specialty services rates to 80 percent of the Medicare rate. Currently, rates are set at 100 percent of the Medicare rate.

This bill would be effective October 1, 2010 and would remain effective until January 1, 2014. At that time, the recently passed federal healthcare reform bill (the Patient Protection and Affordable Care Act)<sup>2</sup> would require that the rates be equal to 100 percent of the Medicare rate.

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<sup>1</sup> Pursuant to section 1(a) of An Act to Enable the District of Columbia to receive federal financial assistance under Title XIX of the Social Security Act for a medical assistance program, and for other purposes, approved December 27, 1967 (81 Stat. 744; D.C. Official Code § 1-307.02).

<sup>2</sup> Signed into law by President Obama on March 23, 2010.

## Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in estimated *local* savings of \$2.8 million in FY 2011 and \$10.7 million over the FY 2011 through FY 2014 financial plan period.

The total savings—local *and* federal—from reducing the rates would be over \$11 million each year.<sup>3</sup> The local savings are only 30 percent of this amount since the District only bears 30 percent of the cost of these payments; the federal government bears the other 70 percent. Due to federal stimulus funds, the District only had to pay, on average, 25 percent of the total costs in FY 2011 and as a result, the local savings in FY 2011 are lower.

<b>Fiscal Impact of Reducing Medicaid Physician and Specialty Services Rates to 80 Percent of the Medicare Rate FY 2011- FY 2014</b>					
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>Four-Year Total</b>
Total Savings from Reducing Rates	\$11,037,795	\$11,479,306	\$11,938,479	\$3,104,004	\$37,559,584
<b>Local Portion of Savings</b>	<b>\$2,776,816</b>	<b>\$3,443,792</b>	<b>\$3,581,544</b>	<b>\$931,201</b>	<b>\$10,733,352</b>

### Notes

- Assumes payments to physicians increase by 4 percent each year.
- Savings in FY 2014 are only for 1 quarter due to federal healthcare reform legislation.

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<sup>3</sup> Except for in FY 2014, when the savings would be much lower as a result of the requirements of the federal healthcare reform bill.