

BLOG

Medicare vs. Medicaid: Which Pays Nurse Practitioners More?

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You may have entered nursing with the purest of intentions, seeking a career of service. Helping people is your thing. But, let's be honest. Your practice must generate revenue to stay in business. You can't help your patients become healthier or treat their medical problems without being reimbursed for your time and resources. Taking into account the dollars and cents of the services you provide as a nurse practitioner is essential to keeping your practice afloat. Which government-based insurance plans reimburse NPs at the highest rates?



I mentioned earlier this week that [looking at nurse practitioner reimbursement rates](#) gets sticky. The amount nurse practitioners are paid by entities like Medicare and Medicaid is calculated based on physician reimbursement rates. So, it is necessary to look at both MDs and NPs in considering the financials behind treating Medicare and Medicaid patients as an NP.

How is nurse practitioner reimbursement calculated by Medicare?

Medicare reimburses physicians a set amount for services provided (See [here](#) and [here](#) for a more detailed explanation of how rates are set). Nurse practitioners are reimbursed by Medicare at 85% the rate of physicians. So, if a physician provides services to a patient Medicare deems worthy of a \$100 reimbursement, the NP would be reimbursed \$85 for providing the same care ([a technicality can help your practice circumvent lower reimbursement rates](#)).

How is nurse practitioner reimbursement calculated by Medicaid?

Decisions regarding nurse practitioner reimbursement compared to that of physicians for Medicaid are made at the state rather than federal level. So, nurse practitioner reimbursement for services provided to patients varies by state.

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States reimburse nurse practitioners at anywhere from 75% to 100% of the physician rate. This means that unlike Medicare, some state Medicaid plans treat services provided by nurse practitioners equally to those provided by physicians. In fact, most states reimburse NPs at 100% the rate of MDs. The Kaiser Family Foundation has published a helpful [table outlining Medicaid benefits in regards to nurse practitioners](#) including reimbursement rates.

How do Medicare and Medicaid physician reimbursement rates compare?

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difference. In some states, providers stand to profit most by treating patients insured through Medicare. In other states, treating patients insured through Medicaid plans generates the most revenue. Alaska's Medicaid physician reimbursement rate, for example, is 124% that of Medicare's. California, in contrast, reimburses at a rate just 51% of Medicare's making encounters with Medicaid patients far less profitable. On average, states reimburse physicians at a rate about 66% that of Medicare.

The relationship between state Medicaid and Medicare physician reimbursement rates is represented by the Medicare-to-Medicaid Fee Index. A list of index rates by state can be found [here](#).

How do Medicare and Medicaid NP reimbursement rates compare?

Here's where calculations get messy. The rate at which a physician is reimbursed by Medicaid as well as the rate at which a state's Medicaid plans reimburse NPs come into play. To determine if you stand to generate more revenue as a nurse practitioner by treating Medicare or Medicaid patients in your state, consider a theoretical scenario where Medicare would reimburse the physician \$100 for services provided. Complete the following calculations:

1. Based on physician reimbursement, determine the amount you would be paid as a nurse practitioner by Medicare

$$\text{\$ MD Medicare Reimbursement} \times \text{0.85 (NP Medicare Reimbursement Rate)} = \text{\$ NP Medicare Reimbursement}$$

Example: $\$100 \times 0.85 = \85

If a physician provides services to a patient Medicare values at a \$100 reimbursement, the NP would be reimbursed \$85 for providing the same care.

2. Calculate the amount you would be paid as a nurse practitioner by Medicaid in your state

The following example considers a nurse practitioner practicing in Indiana. Nurse practitioners in Indiana are reimbursed at 75% the rate of physicians by the state's Medicaid plans. The Medicare/Medicaid Fee Index (based on physician reimbursement rates) in Indiana is 0.62.

$$\text{\$ MD Medicare Reimbursement} \times \text{State Medicare/Medicaid Fee Index} \times \text{State Medicaid Reimbursement Rate for NPs} = \text{\$ NP Medicaid Reimbursement}$$

Example: $\$100 \times 0.62 \times 0.75 = \46.50

So, based on this calculation, the nurse practitioner would be reimbursed \$46.50 by Medicaid for services provided.

Note: [Medicaid-to-Medicare Fee Index](#) lists values by state. Medicaid reimbursement rates for nurse practitioners compared to physicians can be found [here](#).

3. Analyze your results

Based on the example above, a scenario in which the NP practices in Indiana, the nurse practitioner would generate the following amount of revenue:

- Medicare - \$85
- Medicaid - \$46.50

While the scenario these calculations are based upon is theoretical, it serves as a visual for assessing Medicare and Medicaid reimbursement rates as a nurse practitioner.

Implications for Your Practice

Crunch the numbers related to nurse practitioner reimbursement in the state in which you practice. How does the revenue you stand to generate compare for patients insured by Medicare vs. Medicaid?

While these calculations may or may not affect the types of patients you treat in your practice or

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Are nurse practitioner reimbursement rates more favorable for Medicare or Medicaid in your state?

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