



## Legislative Key Contact Program



### **CMS Approves California's 10 Percent Medi-Cal Payment Cut Call Your Members of Congress NOW!**

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The Centers for Medicare & Medicaid Services (CMS) have approved a state plan amendment (SPA) that will reduce Medi-Cal physician reimbursement rates by 10 percent, which will prove to be a huge roadblock for health care reform implementation in California. These cuts will dramatically impact access to care for the poor, disabled, elderly and pregnant women on Medi-Cal.

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***CALL your Members of Congress and let them know the effect this cut will have on your patients and your practice! Urge them to ask CMS to reconsider their decision.***

#### **Members of Congress**

Please call AMA's grassroots hotline at **(800) 833-6354**.

You will be asked to enter your zip code and select your Legislator. Please select your Representative first, then call back to connect with Senator Boxer and Senator Feinstein.

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#### **Talking Points**

- These cuts move patients towards costly emergency rooms and away from cost effective primary care teams that are part of their communities.
- Physicians will no longer be able to accept Med-Cal patients (California currently ranks 47th out of 50 states for Medi-Cal provider payment). Doctors will be reimbursed only \$11 for an office visit. Recent survey data indicates that compared to privately insured patients, Medi-Cal patients are already having a harder accessing health care. Half of current Medi-Cal patients can't find a doctor. Further cuts will only make the problem worse.
- The savings achieved by these cuts are short-term and short-sighted. The state is trying to balance their budget on the backs of the poorest, most vulnerable Californians. Ultimately, the state will pay more for a sicker population that gets its care in the emergency room and hospital setting.

## Background

### Statistics

- California Medi-Cal rates are 20 percent lower than the national average Medicaid rate.
- California Medi-Cal rates are 44 percent below Medicare reimbursement rates.
- Medi-Cal primary care rates are 53 percent below Medicare rates.
- Medi-Cal pays \$18 for an established patient visit; other payer rates are more than triple this amount.
- Currently, less than half of California physicians participate in the Medi-Cal program for the reasons above.
- As a consequence, 51 percent of Medi-Cal beneficiaries reported difficulty finding physicians willing to treat them, according to a 2001 California Health Care Foundation study.
- A recent poll shows that half of Medi-Cal patients can't get care when they need it compared to 25% of private patients.
- 33% of California's ER visits are from Medi-Cal patients compared to 18% from the uninsured.
- Medi-Cal patients use of the ER has increased 30% on average between 2007-2009.
- California will be adding 3 million uninsured to the Medi-Cal rolls in 2014 when health care reform takes effect, we need doctors to care for these patients.

### **CMA Immediately Issued the Following Press Release in Response to the Rate Cuts:**

In what will prove to be a huge roadblock for health care reform implementation in California, the Centers for Medicare & Medicaid Services (CMS) have approved a state plan amendment (SPA) that will reduce Medi-Cal provider reimbursement rates by 10 percent.

"CMS has chosen to ignore its own law with this decision," said Dustin Corcoran, CEO of the California Medical Association (CMA). "The President built his expansion of access to care on the Medi-Cal system and with this decision his administration has effectively destroyed it. Adding three million patients to Medi-Cal while reducing physician resources is nothing but a recipe for disaster."

Just last week, CMA filed a petition with CMS asking that corrective action be taken to address current reimbursement rates and access standards.

"What we're seeing now, is that Medi-Cal patients are already having a tough time getting access to care," James T. Hay, M.D., CMA President said. "With these cuts, physicians will only be reimbursed \$11 per Medi-Cal patient visit, when it costs the physician several times that to provide. Physicians will be forced to reduce the number of Medi-Cal patients they accept, if they can continue to see any at all. We want to be able to treat these patients and we regret that the federal government is making it impossible."

Recent data from the California Office of Statewide Health Planning and Development, compiled by the American College of Emergency Physicians-CA, shows a significant increase in emergency room visits since 2005 by Medi-Cal beneficiaries. Specifically, in Fresno County, ER usage has increased from 40 percent to over 46 percent. On average, ER use by Medi-Cal patients increased 30 percent between 2007 and 2009 (most recent reporting period). This demonstrates that Medi-Cal beneficiaries are already being forced to seek necessary care in the ER when they can't find a physician.

"The approval of provider payment reductions will ensure overcrowding in emergency rooms and will absolutely mean less access to care for all Californians," Corcoran added. "Of course these are tough budget times, but the Department of Health Care Services and CMS are balancing their budgets on the backs of the most vulnerable Californians."

This was a secretive process where the data was not shared with providers and other stakeholders and the results will cause irreparable harm to patients by forcing physicians out of the Medi-Cal program.

**The Department of Health Care Services (DHCS) issued the following press release:**

Today DHCS announced that the federal Centers for Medicare & Medicaid Services (CMS) has approved key elements of the state's 2011-12 budget proposals to reduce Medi-Cal provider reimbursement rates, a necessary component of the state's effort to address its critical budget situation. The Budget Act assumes savings of \$623 million General Fund from the reimbursement proposals.

"We are pleased that CMS has determined that these painful but necessary reductions comply with all federal access requirements," said DHCS Director Toby Douglas. "We value our provider partners and look forward to continuing our service to our most vulnerable populations. We will conduct ongoing monitoring and assessment of beneficiary access, thus ensuring they continue to receive essential health care services."

California's most recent amendments to its Medi-Cal program were approved only after CMS concluded that the proposals were fully supported by a thorough access analysis completed by DHCS and were accompanied by a unique monitoring plan that will collect data to ensure that access to care is not compromised as the reductions are implemented.

CMS issued the following statement: "We are providing California with requested flexibility to address their difficult budget circumstances while protecting the health care needs of Californians served by the Medicaid program. . . The state has submitted extensive data demonstrating that the remaining cuts will not jeopardize Californian's access to care, and has agreed to ongoing monitoring of access to care for the affected services."

The rate reductions were authorized by Assembly Bill 97 (Committee on Budget, Chapter 3, Statutes of 2011), which was passed by the Legislature and signed by the Governor. It required

federal approval of all Medi-Cal budget reductions prior to implementation. Specifically, three proposals were approved today:

- A 10 percent provider payment reduction on a number of outpatient services, including physicians, clinics, optometrists, therapists, laboratories, dental, durable medical equipment and pharmacy.
- A new 10 percent provider payment reduction for freestanding nursing and adult subacute facilities.
- A 10 percent provider payment reduction and rate freeze for distinct part/nursing facility-B services.

DHCS developed a first of its kind program to systematically measure and monitor provider access to Medi-Cal-administered health care, thus ensuring beneficiaries will always have appropriate access to health care in their communities. DHCS' framework for monitoring access to the Medi-Cal health care system includes such factors as the state's population demographics and health composition, national and state economic and political influences, realized beneficiary access to health care services and health care outcomes.

DHCS selected 23 measures identified in three key areas (beneficiary measures, provider availability and service use and outcomes) of a Medicaid and CHIP Payment and Access Commission's report to Congress. Combined, these measures provide a comprehensive portrayal of health care access in the Medi-Cal program.

The services analyzed included physician/clinic services, pharmacy, durable medical equipment, transportation, various long-term care services by facility type and other outpatient services.

Based upon the analyses, DHCS concluded there were some areas where an additional 10 percent payment reduction was not advisable. Therefore, DHCS is not moving forward with the 10 percent reduction to physician/clinic services for children, home health services or distinct part sub acute facilities. DHCS is still reviewing some long-term care services to determine if additional proposed reductions should be reduced or if any additional reduction would be appropriate.

CMS previously approved budget proposals allowing DHCS to cap optional Medi-Cal coverage of hearing aid benefits at \$1,510 per beneficiary for each fiscal year and eliminate the optional adult day health care program. Additionally, CMS approved some previous proposals dating back to 2008 for payment reductions related to past budget actions.

DHCS is continuing its discussions with CMS to obtain approval of other pending proposed budget reductions, including instituting a soft cap of seven visits for physicians and clinics and requiring beneficiary copayments on most Medi-Cal-covered services. Medi-Cal budget reductions total more than \$1.7 billion for fiscal year 2011-12.