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California Budget Fails to Solve Medi-Cal Program Woes

By Kay Kane
Attorney
Michelman & Robinson, LLP

Over the past couple of years, California has seen a massive expansion in people enrolled in Medi-Cal, California's Medicaid program. Despite the obvious benefit of increasing access to healthcare for millions of Californians, Medi-Cal is becoming increasingly overburdened and profoundly underfunded. Consequently, Medi-Cal beneficiaries are facing considerable obstacles in obtaining medical care, resulting in a spike in emergency room visits, overwhelming the state's already beleaguered emergency departments.

Background

Medicaid is a healthcare program designed to provide medical services for low income families and individuals. The program is state administered and funded through a combination of state and federal funds. States are technically not required to participate in Medicaid, however, all 50 states are currently participating. In 2014, the implementation of The Affordable Healthcare Act (ACA) expanded eligibility for Medicaid, with all U.S. citizens and legal residents who earn an annual income of up to 133% of the federal poverty level qualifying for coverage in any participating state.

Many states, including California, administer the program by contracting with managed care providers, in which the state pays the provider a fixed amount per person through Medicaid and the provider administers care.[1] However, managed care does not cover institutional long term care, mental health services, and services provided to children with serious medical conditions.[2] These services are still provided by a fee-for-service model, in which California pays shockingly low reimbursement rates for services provided.

In California, the ACA expansion made an additional 4 million people Medicaid-eligible.[3] As a result, 12.3 million Californians (or roughly one third of the state's population) currently receive Medi-Cal. The program is California's single largest insurer, covering more individuals than Medicare or any private insurer. Of these beneficiaries, 80% are enrolled in managed care programs.[4] California leads the country in terms of total enrollment, but the system has been strained even before the recent influx of eligible beneficiaries. A

few staggering Medi-Cal statistics include:

- Historically, Medi-Cal pays for 46% of all births in the state, 66% of all nursing home residents, and 60% of all net patient revenues in California's public hospitals.[5]
- In 2010, national Medicaid per enrollee cost was $5,592, while Medi-Cal only paid on average $3,451.[6] This is 30% less than the national average.
- In 2008, before the number of eligible enrollees spiked, MediCal's fees for physician services, on average, were 83% of the Medicaid national average when adjusted for geographic differences in providing medical care.[7]
- From 2003 to 2008, Medi-Cal physician fees grew on average by 2%. This is alarming when one compares the 15% growth in fees nationwide and 21% inflation.[8]
- 26% of Medi-Cal beneficiaries report difficulty in getting appointments with primary care physicians, and 42% of Medi-Cal beneficiaries report difficulty in getting appointments with specialists.
- The California Medical Association estimates that for the average patient visit, Medicare reimburses doctors $102.45, while Medi-Cal reimburses only $41.48.

Despite a Budget Surplus, Little New Money Allocated to Medi-Cal

In 2011, Assembly Bill 97, a 2011-2012 state budget trailer, was passed in the legislature and effectively reduced reimbursement rates paid to a variety of Medi-Cal providers by 10%. Specifically, the bill caused a 10% provider payment reduction in the fee for service model, and an actuarially equivalent reduction in Medi-Cal managed care.[9] This resulted in low-income and underserved patients, particularly those living in rural parts of the state, having less accessibility to medical services.

On June 15, 2015, the California state legislature passed the state budget for the 2015-2016 fiscal year. Despite the fact that the state will enter the fiscal year with a multi-billion dollar surplus, the budget did not increase the reimbursement rates for Medi-Cal, failing to reverse the 2011 cuts. While the governor's Medi-Cal budget appears to show an increase in spending, per patient spending will actually be lower.

Further, California has pledged $40 million in Medi-Cal spending to offer Medi-Cal coverage to undocumented children, a plan that has been estimated to cost as much as $130 million annually once fully implemented. While a beneficial measure, this pledge does nothing to alleviate the preexisting shortfall in Medi-Cal funding.

Governor Jerry Brown is reticent to add the surplus directly to the general fund (where Medi-Cal funding is pledged), claiming that immediately pledging budget surpluses puts California on a boom and bust legislative cycle.

As a result, Governor Brown has called for a special session this summer in order to look at overall financing of the Medi-Cal program.[10]

California State Auditor Finds a Lack of Oversight of Medi-Cal

Moreover, on June 16, 2015, the California State Auditor presented an audit report, blasting the California Department of Health Care Services' oversight of Medi-Cal. The Audit stated[11] that the department failed to verify provider network data that it received from health plans. Specifically, the report alleged the state's provider network data was inaccurate, including incorrect telephone numbers, addresses, and information about whether Medi-Cal was even accepting new patients. Essentially, the Department of Health Care Services failed to verify accuracy of the number of doctors available and could not guarantee that plans had enough providers to take care of the skyrocketing number of Medi-Cal enrollees.

The State Auditor also reviewed Anthem Blue Cross in Fresno County, Health Net in Los Angeles County, and Partnership HealthPlan of California in Solano County, and likewise found inaccuracies ranging from incorrect telephone numbers for providers to listings of providers who were no longer participating. From February 2014 to January 2015, an Ombudsman's Office that had been established to investigate and resolve complaints failed to answer 7,000 to 45,000 calls a month from frustrated Medi-Cal patients. Auditors recommend that by September 2015, the Department of Health Care Services should establish a process to verify the accuracy of the provider network data. Auditors also said the state should upgrade or replace the Ombudsman's telephone system and database.

The California Academy of Family Physicians, one of many critics of Medi-Cal's chronic underfunding, issued a statement that patients are being punished by the inaccurate provider listings and also by the shortage of doctors who are willing to accept some of the lowest Medicaid payment rates in the country.

Real and Present Danger

If Medi-Cal rates are not increased and access to primary care and specialists does not improve, patients will continue to have extreme difficulty in obtaining preventative medical care. It has been well documented that a lack of access to preventive care leads directly to an increase in emergency room visits. More Medi-Cal beneficiaries visiting emergency rooms for treatable conditions will further tax the state's emergency care system. A 2014 study found that between 1996 and 2010, the annual number of emergency department visits in the United States increased by 51%, from 90 million to 136 million, but the number of emergency departments nationwide decreased by 6%, dropping from 4,884 to 4,594 emergency rooms.[12] Over the last 10 years, at least 55 emergency departments in California have shut down.[13] Further, a recent study analyzed the impacts of emergency room closures, determining that residing in a zip code with an emergency room closure led to a 5% increase in mortality if admitted through an emergency room, increasing to 10% if the individual was under 65.[14]

Next Steps?

Earlier this year, AB 366 and SB 243 were proposed to increase reimbursement rates. Both bills were subsequently amended and shelved.

The Coalition of SEIU California State Council – a union umbrella group whose members include thousands of health care workers – the California Medical Association, the California Dental Association, the American Cancer Society and groups promoting heart and lung health are proposing an initiative that would add a tax of $2 per pack of cigarettes that would fund Medi-Cal and programs that promote smoking prevention. However, tobacco tax initiatives have been ineffective in the past, as tobacco lobbyists have historically been good fundraisers.

Overall, Governor Brown's special session may increase Medi-Cal reimbursement rates, however, it is unlikely that rates will be increased to a level which makes Medi-Cal sustainable.

Kay Kane is an attorney in Michelman & Robinson, LLP's (M&R's) Health Care Group. She can be reached at kkane@mrllp.com. M&R is a national law firm with offices in Los Angeles, Orange County, San Francisco, Sacramento and New York. For more information, please visit www.mrllp.com.

[1]http://www.medicaid.gov/medicaid-chip-program-information/by-topics/delivery-systems/managed-care/downloads/california-mcp.pdf

[2]*Id.*

[3]http://www.mercurynews.com/health/ci_28235205/california-healthcare-legislature-continues-push-restore-medi-cal

[4]Id.

[5]http://www.chcf.org/~/media/MEDIA%20LIBRARY%20Files/PDF/M/PDF%20MediCalFactsAndFigures2013.pdf

[6]Id.

[7]http://www.chcf.org/publications/2009/04/medical-physician-and-dentist-fees-a-comparison-to-other-medicaid-programs-and-medicare

[8]Id.

[9]http://www.dhcs.ca.gov/Documents/AB97ImplementationAnnouncemen081413.pdf

[10]http://www.mercurynews.com/california/ci_28323954/california-budget-gov-jerry-brown-and-legislative-leaders

[11]https://www.auditor.ca.gov/pdfs/reports/2014-134.pdf

[12]Charles Liu, et al., *California Emergency Department Closures Are Associated With Increased Inpatient Mortality At Nearby Hospitals*, 33 HEALTH AFF. 33:1323-1329 (2014).

[13]http://latimesblogs.latimes.com/lanow/2009/01/emergency-room.html

[14]Liu, *supra, California Emergency Department Closures Are Associated With Increased Inpatient Mortality At Nearby Hospitals.*

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