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California's Medi-Cal Program

California's Medi-Cal program provides essential health care services to the poorest and most vulnerable Californians. Through Medi-Cal, physicians, dentists, pharmacists, adult day health care providers, clinics, and hospitals offer health care services to low-income seniors, families, children, and people with disabilities.

Medi-Cal plays a critical role in California's health care system, providing health care services to more than 6 million Californians. By providing these primary and preventative care services, the state ensures these Californians have access to health care, while at the same time saving money by lowering the chances they will seek more costly forums for health care, such as emergency rooms. Unfortunately, Medi-Cal is being threatened by severe budget cuts.

Earlier this year, the state legislature agreed to cut Medi-Cal funding by $1.3 billion in the form of a 10% cut in reimbursement rates for Medi-Cal providers, scheduled to take effect July 1. Even prior to the cuts, Medi-Cal had become a broken promise for access to health care. Medi-Cal rates were already among the lowest in the nation, often below the cost of providing care. As the costs of providing health care skyrocketed and Medi-Cal rates stagnated, many providers were forced out of the program.

The 10% cuts will exacerbate this decline in providers, making it harder and more expensive for all Californians to meet their health care needs as Medi-Cal patients seek care in costly Emergency Departments and costs get shifted to employers, businesses, individuals, and families with health insurance.

Impacts of Medi-Cal Cuts on Patient Care

Impact on Patients' Access to Doctors

- Medi-Cal spends the least, per enrollee, of any state Medicaid program. California spends $2,701 per enrollee, compared to a national average of $4,662. The highest state, New York, spends $7,733. (Source: Kaiser Family Foundation)

- There has only been one across-the-board Medi-Cal rate increase in the last 20 years for physicians. Reimbursement rates have not been increased since 2001,

- Despite the fact that inflation has increased almost 20 percent in that time. (Source: California HealthCare Foundation)

- Despite the high cost of providing health care in California, our Medi-Cal program ranks 45th in the country in reimbursement rates. Even before the cuts, Medi-Cal payments were below the cost of providing care in many cases. This has forced physicians from the program and reduced Medi-Cal patients' access to doctors. Currently, there are only 46 primary care physicians for every 100,000 Medi-Cal patients, while there are 75 for other Californians. (Source: California HealthCare Foundation)

- Nearly 50 percent of live births statewide are covered by Medi-Cal. In 13 counties, the percentage is more than 60 percent - Colusa, Del Norte, Fresno, Glenn, Kern, Lake, Madera, Mendocino, Merced, Modoc, Mono, Tehama, and Tulare. (Source: DHCS Data)

Impact on Hospitals

- More than 70 California hospitals and emergency rooms have closed their doors since 1996. A disproportionate share of these closures - more than 50 - has occurred in Southern California.

- On average, Medi-Cal only pays 78 cents for every dollar it costs hospitals to provide care to Medi-Cal enrollees.

- In the past 20 years, the only increases in Medi-Cal payments for hospital outpatient services have come as a result of a settlement in a long-running lawsuit *(Orthopaedic Hospital and CAHHS v. Belshé)*.

    - In 1990, California hospitals sued the state over inadequate Medi-Cal payment rates. In late 2000, after 10 years of litigation that made its way to the U.S. Ninth Circuit Court of Appeals (which ruled in favor of hospitals), a settlement agreement was reached.

    - The lawsuit settlement resulted in a one-time 30 percent increase in Medi-Cal payment rates for hospital outpatient services (the first rate increase since 1985). Additionally, hospitals received an annual payment increase for outpatient service of 3 1/3 percent for three years, ending in 2004. There have been no further payment increases for hospital outpatient services since 2004, even though the cost of providing care continues to rise.

Since 2002, 14 emergency rooms have closed in Southern California - 10 of those were in Los Angeles County.

- Nearly 50 percent of California's hospitals are currently operating in the red. In 2007, the net patient revenue margin was -3.1 percent.

- Nearly two dozen hospitals in Los Angeles and Orange Counties are in dire financial straits and in danger of either filing bankruptcy or closing altogether. These hospitals represent 15 percent of the total hospital beds in the region.

- In 2007, California hospitals provided $9.7 billion in uncompensated care. Of that amount, $2.7 billion is directly related to Medi-Cal payment shortfalls.

- According to a recent report by PriceWaterhouseCoopers, California has 20 percent fewer hospital beds than the national average. Between 1997 and 2007, the number of licensed hospital beds in California declined by nearly 6,000. During this same time period, California's population increased by 5.2 million people.

- The number of uninsured patients in Los Angeles County has increased by one-third since 2002.

- For California's public hospitals, the 10 percent Medi-Cal rate cut is only one of several severe cuts they now face. At risk are an additional $600 million cut in Medicaid funds if proposed federal rules go into effect, and millions of dollars in federal Safety Net Care Pool funds used to treat the uninsured – funds that the State wants to use to help reduce its budget shortfall.

Impact on Dental Services

- In the last 7 years alone, changes have reduced funding for the Denti-Cal program by 25 percent, from nearly $400 million to $300 million (General Fund).

- Oral cancer is more prevalent than melanoma, ovarian cancer and cervical cancer and is disproportionately diagnosed in the elderly. Medi-Cal beneficiaries are the most vulnerable Californians, including children, the elderly and persons with disabilities.

- Currently, there are approximately 4,000 dentists providing 97 percent of the dental care for 6.6 million California adults and children. The proposed cuts will reduce this number below the program's ability to remain viable.

- Nationally, dental care represents 4 percent to 5 percent of health care expenditures. Contrast that with Denti-Cal expenditures, which, before additional reductions, represent less than 2 percent of the Medi-Cal budget.

- According to the Surgeon General, dental care is the number one unmet health care need in the United States.

Impact on Adult Day Health Care (ADHC)

- The 10% cut costs more than it saves. A recent survey showed that 22% of ADHC patients would be discharged to a nursing facility within 30 days if their program closes. Another 23% would move to a nursing facility after 30 days of closure. Nursing homes cost the taxpayer four times more than adult day health care.

- The 10% cut paired with the 6 week payment delay will put small ADHC centers out of business. It is estimated that one-third of the state's adult day health care providers are at risk of closing because the vast majority of their patients rely on Medi-Cal. This most economical, family-friendly system of care will disappear in many areas of the state.

- Many families rely on ADHC for support for their loved one so they can earn a living – and 40,000 frail elders and chronically ill or disabled adults rely on ADHC during the day so they can return home at night instead of being placed in a nursing facility.

- When a family member must quit their job to become a caregiver because their community adult day health care center has closed, the state loses employment-related income and sales tax.

- At a time when the population is aging, and Alzheimer's disease is the "epidemic of the 21st century, the state should be looking to low cost options such as ADHC, instead of forcing its most vulnerable citizens into costly nursing facilities and overburdened emergency departments.

- This 10 percent cut slices the heart out of the community-based system of care for frail elders and disabled adults who want more than anything to remain living in their home.

Impact on Pharmacy

- Patients who depend on prescription drugs could lose the ability to fill their prescription if cuts in the Medi-Cal reimbursement rates take effect, July 1, 2008. For many chronically or severely ill patients, this could prove disastrous if their conditions worsen as a result.

- The cuts effective July 1 include a ten percent reduction in the amount pharmacists are reimbursed for prescription drugs for Medi-Cal patients. Some drugs will cost the pharmacist more to acquire from the manufacturer than the

- state will reimburse, which means pharmacists could be forced to lose money on those drugs or stop filling prescriptions under Medi-Cal.

- According to the Legislative Analyst's Office, reducing access to prescription drugs could increase overall costs to the health care system by increasing emergency room visits, hospitalizations, physician office visits, treatment at community clinics and nursing home admissions. Expanding patient populations and shrinking revenues already stretch emergency rooms to the limit.

- These arbitrary and unjustified cuts could force pharmacies that serve the poor out of business and make it impossible for other pharmacies to fill the void. The health of our most vulnerable citizens would be put in jeopardy. Many pharmacies have served these patients for years and would be heartbroken if they have to stop filling Medi-Cal.

- The cuts in Medi-Cal reimbursement rates could force pharmacies to stop serving Medi-Cal patients or even force them out of business. This means patients could be forced to find another pharmacy to access their medicines, which could be difficult for patients in rural areas, where the next closest pharmacy might be 50 miles away, or those in ethnic communities, where the closest pharmacist might not speak the patient's language. That would force an even greater number of Medi-Cal patients into a smaller number of pharmacies, creating a domino effect of pharmacies that would be forced to stop taking Medi-Cal patients.

Economic and Fiscal Impacts of Medi-Cal Cuts

- The 10% Medi-Cal cuts will cost California more than *$500 million annually* in federal matching funds for health care.

- Repeated studies have shown that the underfunding of Medi-Cal results in health care costs being shifted to employers, businesses, and individuals and families with health insurance. Governor Schwarzenegger has called this phenomenon a "hidden tax". When the state pays less for Medi-Cal, Californians pay more for health insurance in the form of higher health insurance premiums.

Facts About Medi-Cal

Total Medi-Cal Enrollment: 6,559,731
(17.4% of California's Total Population, 21% of the Insured Population)
3,167,875 Children *(48.3% of Medi-Cal Enrollees)*

846,786 Seniors *(12.9% of Medi-Cal Enrollees)*

1,231,078 Women Between the Ages of 18 and 45 *(18.8% of Medi-Cal Enrollees)*

Nearly 50% of Live Births Statewide are Medi-Cal