

## Audio Report Transcript

Headline: Providers Brace for Medi-Cal Reimbursement Rate Cut, Hold Concerns About Access to Care

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### Text:

At a time when the state is poised to expand Medi-Cal, California's version of Medicaid, the state is also preparing to cut the rate it pays providers to care for these patients.

This is a report for *California Healthline*, a daily news service of the California HealthCare Foundation. I'm Kenny Goldberg.

Ted Mazer is an ear, nose and throat specialist in San Diego.

Mazer says, out of a sense of public duty, he has always treated Medi-Cal patients. They used to make up about 30% of his practice.

But these days, less than 5% of his patients are on Medi-Cal. Mazer says that's because he loses money on every Medi-Cal visit.

**(Mazer): "I can't do it anymore. And as other people cut away from seeing any Medi-Cal, those of us who try to stay with the program, we're being inundated with Medi-Cal patients, and that meant no bottom line."**

For example, Medi-Cal pays Mazer less than \$165 to perform a tonsillectomy, including all of the pre-operative and post-operative care. Most other insurers pay him about three times that.

**(Mazer): "Something simple like an office visit, we get about \$14 to \$21. Those are the same visits that usually pay someplace in the order of \$65 to \$90 by most other payors. If I were to try to do half of my practice in the safety net like Medi-Cal, I would not be able to pay my staff."**

In 2011, when California was mired in a budget crisis, state lawmakers cut Medi-Cal provider rates by 10%.

A coalition of medical groups successfully challenged the cuts in court, arguing they would reduce access to care. But the U.S. 9<sup>th</sup> District Court of Appeals recently ruled in the state's favor. That means the 10% cut will be implemented as soon as September, according to state officials.

Some legislators have proposed bills to rescind the cuts. Mazer says if state lawmakers refuse to do that, they're sending a powerful message.

**(Mazer): "They have total disregard and disrespect for what physicians do to try to help the community. And, in the end, they're more interested in balancing budgets, than delivering on the promise of healthcare for all."**

About 8.5 million Californians are on Medi-Cal, the state's public insurance program for the poor and disabled. Next year, under the Affordable Care Act, more than 1.4 million people will be newly eligible for the program.

Dustin Corcoran is CEO of the California Medical Association. He says the timing of the cuts couldn't be worse.

**(Corcoran): "We already have a pretty significant shortage of physicians that are able to treat Medi-Cal patients, and these cuts will obviously increase the number of folks who simply can't see patients on Medi-Cal. And the impact on access is real, and with new patients coming into the Medi-Cal system it's hard to see how we can absorb that."**

State officials are much more sanguine.

Norman Williams is deputy director of public affairs for the California Department of Health Care Services.

He says the federal government has approved the rate reductions, and that it agrees with the state's conclusions that they won't diminish access to care.

**(Williams): "The need for these services is critical. As we were planning the reductions, we did extensive access analyses, and we found that reducing the rates by the 10% or less, would give us adequate access for our members."**

What's more, Williams says the state will set up a monitoring system to make sure things run smoothly.

**(Williams): "It's going to track beneficiary access to services, as the reductions are implemented, so we'll be able to tell if there are any problems. And if there are, we've committed to immediately address those problems."**

Williams says thanks to Obamacare, the Medi-Cal payment rate for some providers will actually be going up. Williams believes that will help sustain the provider network.

Primary care physicians who treat Medi-Cal patients will be paid at a higher Medicare rate for two years. Depending on the service provided, the rate can be 50% more than what Medi-Cal pays.

The boost was supposed to take effect in January of this year. Officials say when it does kick in, it will be retroactive to January 1<sup>st</sup>.

But for all providers in California, the 10% Medi-Cal cuts are supposed to be retroactive, too, back to 2011 when the law first passed.

That means doctors and hospitals collectively owe the state hundreds of millions of dollars. That so-called clawback -- 10% of all provider payments over the past two years -- must be paid back to the state, on top of the 10% cut itself. And that clawback has to be paid, even if the Legislature successfully passes a bill to rescind the cuts.

One proposed law would reverse the entire 10% cut. Another would only lift it for a specific group -- skilled nursing facilities operated by acute-care hospitals.

Even if that happens, it will be too late for Palomar Health in Escondido. The public hospital district has decided to close one of two skilled nursing facilities. Palomar officials say the Medi-Cal cuts were just unsustainable.

Jan Emerson Shea, vice president of the California Hospital Association, says it's a bad situation that could get worse.

**(Emerson Shea): "I think, unfortunately, this is going to be the first of many dominoes that fall, unless the Legislature and the Administration see fit to reverse these cuts."**

Both the CHA and the California Medical Association are considering appealing the recent decision upholding the cuts to the U.S. Supreme Court.

The groups say they'll make their decision shortly.

State officials, meanwhile, are working on implementing the Medi-Cal cuts.

And Ted Mazer is fuming about it.

**(Mazer): "It may be legal, but it ain't right."**

This has been a report for *California Healthline*, a daily news service of the California HealthCare Foundation.

If you have feedback or other issues you'd like to have addressed, please email us at [CHL@CHCF.org](mailto:CHL@CHCF.org). I'm Kenny Goldberg. Thanks for listening.

