

Sebelius Mum On CA Medicaid Decision, Says Rates And Access Closely Linked

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HHS Secretary Kathleen Sebelius told a group of California stakeholders and officials on Monday (May 9) that the agency has not yet made a decision on whether it will allow the state to move forward with its proposed 10 percent Medicaid provider rate cuts, but she acknowledged that there is an unquestionable link between reimbursement and access. The cash-strapped state needs federal approval before it can act on the cuts, thus putting HHS in the difficult position of balancing the state's need to square its budget with the federal government's responsibility to ensure that Medicaid beneficiaries have adequate access to providers.

Meanwhile, California HHS Secretary Diana Dooley said last week that state officials are engaged in negotiations with their federal counterparts and are hopeful a compromise can be reached. California is not one of the many states urging HHS to drop the reform law's Medicaid "maintenance of effort" provision that prohibits them from altering eligibility standards. However, the governor is highly focused on balancing the budget, and Dooley warns that if HHS does not agree to the proposed reductions, a relaxed MOE may be the only other option.

Sebelius said Monday (May 9) at a meeting with California officials in Washington, DC, that the connection between rates and access is a "critical issue" and pointed out that the Supreme Court is involved in a case brought by California providers when the state previously attempted to slash payments. The case also resulted in HHS being asked to establish, for the first time, a framework that the federal government can rely upon to ensure a state is providing adequate access to entitled services.

The issue is whether or not by so poorly reimbursing health care providers a state essentially blocks someone's ability to access the health care that they've been promised, Sebelius said. The same issue is applicable to private insurance as well, she said adding that insurance commissioners require plans to provide proof of an adequate network prior to receiving a license in a state.

"The case is very important and I don't think there's any question that rates are something that needs to be looked at in terms of overall costs," Sebelius said. "Rates are also incredibly important to guarantee access and there's no question that you could provide coverage but drive provider rates low enough that they won't have care delivery and that violates the promise of the plan," she adds.

HHS on April 28 issued a court-mandated preliminary rule offering a framework the federal government can use to determine adequate access that does not focus solely on the provider costs. A source representing Medicaid directors said that the proposed rule attempts to strike a balance between state's need for flexibility and other pressures (see related story).

California this year proposed cutting several optional services -- such as adult day care -- in addition to slashing payments from several providers and implementing co-pays for Medi-Cal beneficiaries in order to balance the budget.

The state's budget summary points out that there are three main ways of controlling the Medi-Cal budget: limiting enrollment, benefits and provider rates. The federal health law prevents the state from reductions in eligibility standards, and previous provider rates have been prevented by court rulings, the budget notes.

The proposed reductions must be approved by the federal government, after which the Medicaid director would evaluate the different payment structures which would be cut by an amount totaling 10 percent, Medicaid Director Toby Douglas said last week. According to the budget, services potentially under the knife include: physicians, pharmacy, clinics, medical transportation, home health, Adult Day Health Care, certain hospitals and nursing facilities.

A revised state budget, which sources expect will include further cuts to education, will be released on May 16.

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