



News Release

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DEPARTMENT OF HEALTH CARE SERVICES ANNOUNCES FEDERAL APPROVAL OF MEDI-CAL BUDGET REDUCTIONS

SACRAMENTO – The Department of Health Care Services (DHCS) today 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.

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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 subacute 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.

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