Proposed Medi-Cal Reimbursement Cut Has No Merit

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• Across-the-board Cut of 10% is arbitrary and proposed by California legislators to address budget deficit
• Not based on cost of care
• Takes no account of patient access to care
• Likely to increase total cost of patient care to CMS
  – Less access drives increased utilization of expensive emergency services
• Previously struck down by courts in 2008
Courts Struck Down 10% Cut in 2008

• 10% reimbursement cut is highly likely to decrease access to home health care

• Zaretsky study* submitted to courts concluded:
  – Medi-Cal reimbursements for services bear no relationship to costs, and provider costs were not considered when setting rates
    • e.g. RN shift care services are underpaid by 40.4%
  – Freeze in Medi-Cal home health reimbursements since 2000 has restricted access to services
    • < 50% of CA home health agencies participated in Medi-Cal, whereas 84% of Agencies participated in Medicare (2005)
    • 10% cut is likely to decrease Medi-Cal participation and patient access even further

* Declaration of Henry W. Zaretsky; CAHSAH & providers v. Sandra Shewry & CA DHCS, October 3, 2008
View from the Trenches

Unrealistic reimbursement below cost of care drives out providers
- Current RN shift care reimbursement $40.12/hour (99% of CMS approved rate); after 10% cut $36.48
- RN earns $50-$60/hour working in hospital
- Most home health providers lose money on Medi-Cal patients
- 10% cut drives reimbursement rates back to 1990s levels

Patients are penalized by lack of access to care
- Few organizations provide loss-making care to Medi-Cal patients
- Unable to attract skilled nurses to provide required care
- Additional 10% cut makes Medi-Cal service provision untenable, further decreasing patient access to care
Real Medi-Cal Reimbursement Rate

Medi-Cal RN Reimbursement Rate Adjusted for Change in Medicare Wage Index

- Real RN Reimbursement Rate - 10% Cut
- Real RN Reimbursement Rate - No Cut
- Current Direct Care Breakeven

2000: $40.53
2001: $40.41
2002: $38.87
2003: $39.00
2004: $39.00
2005: $37.41
2006: $36.51
2007: $35.49
2008: $34.71
2009: $33.83
2010: $33.29
2011: $29.72

2000-2011 Real Medi-Cal RN Reimbursement Rate

2000-2011 Real Medi-Cal RN Reimbursement Rate - 10% Cut

2000-2011 Real Medi-Cal RN Reimbursement Rate - No Cut

2000-2011 Current Direct Care Breakeven