



FACT SHEET

Medi-Cal Budget Proposal

PROPOSED MEDI-CAL RATE CUTS THREATEN STABILITY OF SAFETY NET

The California Association of Health Plans (CAHP) opposes the proposed mid-year and budget year cuts to Medi-Cal, including a 10% provider reimbursement rate reduction because of the harmful impact the cuts could have on both Medi-Cal beneficiaries and those with private insurance.

- **Reduced Access to Care:** California's physician participation in Medi-Cal falls well below the national average for Medicaid. Reducing already low reimbursement rates will further drive medical providers from the program, ultimately reducing access to care for some of our most vulnerable citizens.
- **Cost Shift:** Today, Californians with private insurance are already covering the cost for the underfunding of Medi-Cal through a cost shift. Providers and hospitals will have to raise rates for the insured in order to make up for the increased loss from treating Medi-Cal patients.
- **Lost Federal Funds:** An Assembly budget analysis estimates that California would leave over \$1 billion in federal funds on the table through these cuts.

Access to Care

- The proposed cuts would exacerbate existing access to care challenges in California.

Currently:

- Currently, there are only 46 primary care physicians per 100,000 Medi-Cal beneficiaries, which is well below the federal minimum standard of 60 - 80. The rate of participation among medical and surgical specialists is even lower, with 4 and 5 specialists per 100,000, respectively.¹
- Medi-Cal pays physicians 59 percent of Medicare, which is well below the national average of 69%.²

Proposed cuts:

- By cutting 10 percent from an already inadequate Medi-Cal reimbursement rate, physicians will be driven out of the Medi-Cal Program, which will leave beneficiaries without access to the care they need.

Cost Shift

- Currently, hospitals add nearly 11 percent more to their bills to recoup losses from Medi-Cal and Medicare.³
- California families also contribute to offsetting the effects of Medi-Cal under-funding by paying nearly \$1,200 in a "hidden tax."⁴
- With the proposed cuts, health care providers who continue treating Medi-Cal beneficiaries would charge patients even more to make up for the increased loss from treating Medi-Cal patients.

Lost Federal Funds

- \$1.1 billion in cuts to the Medi-Cal Program will result in a total loss of more than **\$2.2 billion** because the cut would forfeit matching federal funds.⁵

References:

^{1,2} California Health Care Foundation, "Medi-Cal Facts and Figures: A Look at California's Medicaid Program" (May 2007)

³ California Foundation for Commerce & Education, "Private Payers Subsidize Public Program" Press release (June 2007)

⁴ New America Foundation, "Estimating the Hidden Tax on Insured Californians due to the Care Needed and Received by the Uninsured" (May 21, 2007)

⁵ Assembly Budget Committee, "Highlights of Governor's Proposals for the Special Session Fiscal Emergency & 2008-09 State Budget"

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