

Medi-Cal Cuts = Higher Health Care Costs & More Uninsured

In Oct. 2011, the federal Centers for Medicare & Medicaid Services (CMS) approved 2010-2011 Medi-Cal provider reimbursements budget cuts, resulting in a 10 percent rate reduction. Prior to this approval, California already had the worst provider reimbursement rates in the nation.

10% decrease in Medi-Cal rates

These Medi-Cal provider rate reductions have a cascade effect that ultimately leads to higher insurance premium costs and more uninsured patients.



Low-income patients struggle to find doctors who take Medi-Cal

The California Medical Association said that with the new cuts, physicians will only be reimbursed \$11 per Medi-Cal patient visit – nowhere near the actual cost: *“Physicians will be forced to reduce the number of Medi-Cal patients they accept, if they can continue to see any at all.”* – James T. Hay, M.D., CMA President



Cost shift to the insured increases

Families pay an additional \$1,800 per year for health coverage to make up for the billions of dollars lost treating the uninsured and patients with government coverage—a shift in costs that places more pressure on premium prices. When Medi-Cal patients can't get into a doctor's office for a non-emergency visit, they will head to the ER or delay care until they are very sick. The cost of treatment in an ER is about four times more expensive than in a doctor's office. A recent survey of California Hospital Association member hospitals indicated 45% would change admission practices if Medi-Cal provider rate cuts take effect.



Higher insurance costs

With 87 cents of each premium dollar going to medical services, when the cost shift increases, premiums must adjust to account for the added cost.



Number of uninsured increases

The weak economy has contributed to significant declines in employer-sponsored coverage... A high unemployment rate and increases in the number of individuals living below poverty put employer-sponsored coverage out of reach for many individuals. – Kaiser Family Foundation, *Uninsured Primer*

Medi-Cal Rate Cuts Undermine Efforts to Improve Health Care

- ✓ **Provider rate cuts make it harder for the state to deliver on the promise of adding 2-3 million more people to Medi-Cal and offering more access to care.**
Provider rate cuts threaten the success of the Affordable Care Act (ACA), which calls for a Medicaid expansion which will grow Medi-Cal from nearly 7.5 million today to a total of 9-10 million in a couple years.
- ✓ **Rate cuts won't lower health care costs for all, especially if these rate cuts add to the cost shift.**
“The biggest single factor in driving up costs to insurance companies -- and, in turn, their policyholders is a curious practice [described] as [“cost-shifting.”](#)”
- ✓ **Rate cuts won't reduce the number of the uninsured during this economic downturn, because they ultimately drive up the cost of health coverage.**
Rate cuts that drive providers from the Medi-Cal program undermine the ultimate goal of the ACA, which is to expand access to quality care.