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Brown Administration Implementing \$623 Million Medi-Cal Provider Reductions

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The Department of Health Care Services under the Brown Administration announced Friday that it is moving forward in implementing reductions in Medi-Cal provider payments of up to 10% that could total over \$623 million in State general funds, that was authorized in the 2011-2012 State Budget. The implementation of the reduction comes as the State faces still another huge budget deficit, projected at nearly \$13 billion by the end of the 2012-2013 State Budget year unless the Governor and Legislature takes action to address it either through additional massive spending cuts or imposing new revenues - or a combination of both and other solutions.

While the federal government approved the State's request for the reductions in late October, the Department of Health Care Services decided to hold off on implementing the cuts until after a December 19th federal district court hearing in Los Angeles on a lawsuit seeking to block some of those reductions. The judge has not yet issued any order as a result of that hearing yet.

The Department of Health Care Services, the state agency that oversees statewide the federal Medicaid program (called "Medi-Cal" in California) said in its announcement today that it "...recognizes that these reductions are difficult for providers." The department said it was working "...diligently on a phased-in implementation approach to reductions and the recoupment of overpayments."

The retroactive reduction, many disability and senior advocates have said, will have a devastating impact on many Medi-Cal providers already reeling from other cuts and reductions.

Over 2.5 million people in the Medi-Cal "fee for service" program of the over 7.4 million persons in the Medi-Cal program will be impacted by the 10% reduction. The Department of Health Care Services reported earlier this month that about 18% of that total in the "fee for service" program are people with disabilities or blind and just under 4% are persons 65 years or older.

[A pdf copy of the budget related bill can be viewed or downloaded](#)

Some Providers Exempted By New or On-Going Medi-Cal Reductions

* The Department of Health Care Services announced that at this point in time, Medi-Cal payment reductions will not be applied to pharmacists or hospital-based skilled nursing facilities. However it is not clear if the department is including payment reductions to Intermediate Care Facilities, based on their announcement today.

* The current exemptions in state law for the 1% and 5% payment reductions will remain in place.

* The 2011-2012 State Budget trailer bill (AB 97) specifically exempts the following providers and services from the additional Medi-Cal payment reductions:

- Services provided by a contracted inpatient facility
- Services provided by Federally Qualified Health Centers and Rural Health Clinics
- Services provided under the Breast and Cervical Early Detection Program and Breast and Cervical Cancer Treatment Program
- Hospice Services
- Services provided by the Family PACT Program
- Services which do not impact the general fund (i.e., services provided by Local Education Agencies and Indian Health Clinics)

* Exemptions to the Medi-Cal provider payment reduction will also apply to payments for hospital outpatient departments as authorized under SB 90 and SB 335.

Summary of Medi-Cal Provider Cuts Continuing or Going Into Effect

New Medi-Cal provider reductions will be effective retroactively for dates of service on or after June 1, 2011. The Department of Health Care Services previously received federal approval to implement Medi-Cal payment reductions that either will continue - or new reductions not yet implemented that will now go into effect, as follows:

* **PHYSICIANS AND CLINICS FOR CHILDREN:** Medi-Cal payments for services to children (20 years of age or younger) provided and billed by physicians and clinics will continue to be reduced by 1%.

- * **PHYSICIAN AND CLINICS FOR ADULTS:** Medi-Cal payments for services to adults (21 years of age or older) provided and billed by physicians and clinics will be reduced by a total of 10%
- * **HOME HEALTH AGENCIES:** Medi-Cal payments for services provided by home health services will continue to be reduced by 1%.
- * **ADULT DAY HEALTH CENTERS:** Payments for services provided by specified adult day health care (ADHC) facilities will be reduced by 10% through February 2012. This is a result of a settlement agreement in the Esther Darling et. al. v. Toby Douglas federal lawsuit that has been that is now going through a settlement agreement process. The new Community-Based Adult Services program will replace the current adult day health care program. Adult Day Health Care centers currently exempted from the 10% reduction are noted on the Department of Health Care Services website in a list entitled: "AB 97 10% Provider Payment Reduction: Exempt Adult Day Health Care Facilities"
- * **OTHER OUTPATIENT SERVICES:** Payments for all other identified outpatient services will be reduced by 10%

Other Medi-Cal Provider Reductions

Payments for services provided under the following programs will be reduced in the same manner as fee-for-service (FFS) Medi-Cal. The percentage reduction will be based upon the provider type billing the service and the age of the patient as noted above.

- * California Children's Services (CCS) Program
- * Child Health and Disability Prevention Program
- * CCS/Healthy Families
- * State-Only Family Planning Program (except Aid Code 8H)
- * Genetically Handicapped Persons Program

The rates on file for Los Angeles County Clinics (LACC) reflect the application of the current 1% payment reduction to this provider type. Implementation of the 10 percent payment reduction for Los Angeles County Clinics will be as follows:

- * Payments for services to children will be paid at the rate on file and will not be further reduced.
- * Payments for services to adults will be reduced by an additional 9% for a total reduction of 10%

How the State Will Implement Reductions

According to information released today (December 22) by the Department of Health Care Services, the State will begin implementation of the Medi-Cal reductions of up to 10% as follows:

- * The Medi-Cal education will be implemented first, followed by an "erroneous payment correction" (EPC) at a capped percentage of each checkwrite. The department indicated today that the intent of this approach is to mitigate the impact of the reductions to the Medi-Cal provider community.
- * The "erroneous payment correction" (EPCs) will be issued to reprocess claims and recoup overpayments made to Medi-Cal providers during the continued application of the current 1% and 5% payment reductions for dates of service on or after June 1, 2011. Given the size and complexity of this action, the "erroneous payment correction" (EPC) will be initiated in January 2012 and may continue for several months. The Department of Health Care Services said in its announcement that it is attempting to 'mitigate the impact to providers by limiting the amount to 5% of the amount to be recouped per checkwrite".
- * The department said that an access to Medi-Cal services analysis has been conducted and a monitoring plan instituted to "...ensure that adequate access to health care is preserved..." and that it is "...implementing reductions only where the analysis indicated that access would not be unacceptably impacted. Where the analysis suggested that the impact of reductions would unacceptably compromise access, DHCS [Department of Health Care Services] reduced or eliminated the proposed reductions."

Questions and Concerns About Medi-Cal Payment Reductions

- * Medi-Cal Providers: providers and others can submit questions, including concerns about the "erroneous payment correction" (EPCs) and recoupment of overpayments, may be emailed to rate.reduction@dhcs.ca.gov.
- * Medi-Cal Recipients - recipients and their families (and others) can use a toll-free Medi-Cal phone number can help answer questions and concerns for Medi-Cal recipients. If a person receives or needs Medi-Cal services, they may call 1-800-541-5555. This number can also be used to help determine a person's Medi-Cal eligibility and Share of Cost requirements.
- * For other additional information on the rate reductions, providers may access the Department of Health Care Services (DHCS) website's "Frequently Asked Questions" page at www.dhcs.ca.gov

Who and What This Impacts

- * All "Fee for Service" Medi-Cal providers who were targeted in AB 97 (one of the 2011-2012 State Budget "trailer bills") that authorized the 10% reductions to be effective retroactively to June 1, 2011 - after approval by the federal government (AB 97 is the budget related bill passed by the Legislature and approved by Governor Brown in March as part of the 2011-2012 State Budget).

* Some "fee for service" Medi-Cal providers were exempted by the reductions in AB 97 - and a few others - including Medi-Cal doctor and clinic services for children and Home Health agencies were later exempted by the Department of Health Care Services after an analysis was done regarding how a reduction would impact access to health services.

ADULT DAY HEALTH CARE CENTERS: as mentioned, the 10% reduction will apply to specified adult day health care centers - though not all. Based on an access study conducted by the department, certain adult day health care centers outside metropolitan areas of Southern California and the San Francisco Bay Area will be exempted from the payment reduction. According to the department, those agencies will be notified individually. [The list of exempted adult day health centers can be found](#) by viewing this list from the department's website.

MEDI-CAL MANAGED CARE: The reduction to Medi-Cal managed care services has been implemented separately from the Medi-Cal "fee-for-service" reductions.

REGIONAL CENTERS: The implementation of the Medi-Cal provider rate reductions of up to 10% does not impact the existing reductions currently in place for those providers funded through the 21 non-profit regional centers under the Department of Developmental Services - where much of the funding is matched by federal funds under a Medicaid home and community-based waiver. A separate federal lawsuit filed federal district court in Sacramento in early October by the Arc of California and UCP of San Diego, is seeking to stop some of those reductions - but the federal judge this past week has decided to hold off taking any action on the lawsuit until after the US Supreme Court hands down a decision on several pending Medi-Cal cases (the high court heard those cases on October 3, 2011 and is expected to come down with a ruling before June).

IHSS: The Medi-Cal provider cuts of up to 10% does not impact any reductions currently underway now in the In-Home Supportive Services (IHSS) program, nor does it impact the state budget "trigger cut" that, effective January 1, 2012, a 20% across the board cut in service hours to all persons in the IHSS program, with certain exemptions and exceptions. A federal lawsuit, as previously reported, has temporarily blocked implementation of that reduction until a court hearing on January 19th.

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*Marty Omoto is Executive Director of the [California Disability Community Action Network](#), a non-partisan link to thousands of Californians with developmental and other disabilities, people with traumatic brain injuries, the blind, the deaf, their families, community organizations and providers, direct care, homecare and other workers, and other advocates to provide information on state and local public policy issues.*