

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1  
ON HEALTH AND HUMAN SERVICES  
ASSEMBLYMEMBER JUDY CHU, CHAIR**

**ASSEMBLY HEALTH COMMITTEE  
ASSEMBLYMEMBER DARIO FROMMER, CHAIR**

**TUESDAY APRIL 1, 2003  
STATE CAPITOL, ROOM 4202  
1:30 PM**

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**ITEMS TO BE HEARD**

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**4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL****ISSUE 1: MEDI-CAL PROVIDER RATE REDUCTION**

The Governor's Mid-Year Adjustment and January 10 budget proposals for budget year 2003-04, would reduce provider rates for Medi-Cal providers by 15 percent for three years across the board, exclusive of rates for hospital inpatient and hospital outpatient care, Federally Qualified Health Centers and Rural Health Clinics.

**BACKGROUND:**

The 2000 Budget Act included Medi-Cal provider rate increases totaling \$799.8 million (\$402.8 million General Fund (GF)).

<b>Provider Rate Increases Funds Appropriated for Budget Act FY 2000/2001</b>			
<b>Noninstitutional Providers</b>	<b>Percent Increase</b>	<b>GF Dollars Appropriated</b>	<b>Federal Funds *</b>
Physician Services (includes 40% increase specific to ER physician services)	16.7%	95.3	95.3
CCS physician services (including non-Medi-Cal)	39%	7.8	7.8
Comprehensive perinatal services	11%	2.6	2.6
EPSDT screening (including non-Medi-Cal CHDP)	20%	3.3	3.3
Neonatal intensive care	30%	5.4	5.4
<b>Dental</b>			
General rates	6.8%	17.7	17.7
<b>Medical/Other Services</b>			
Psychologists	30%	3.0	3.0
Physical/Occupational/Speech Therapy/Audiology	30%	2.7	2.7
Respiratory Care	10%	0.06	0.06
Chiropractic Care	130%	0.5	0.5
Mammograms	54%	1.03	1.03
PAP Smear laboratory rates	53%	2.9	2.9
Breast pumps	150%	0.5	0.5
Milk banks	20%	0.02	0.02
Blood banks	70%	0.6	0.6
Wheelchair/Litter Van transportation	20%	4.6	4.6
Hearing aids and dispensing fee	100%	2.8	2.8
<b>Home Health</b>			
Shift nursing rates for EPSDT and Waiver services	10%	8.4	8.4
Home health agencies	10%	1.4	1.4
<b>Institutional Providers</b>			
Small and rural hospitals-outpatient rate supplement	NA	2.0	2.0

<b>Long Term Care</b>			
LTC Wage Pass-through	7.5%	67.0	65.8
LTC annual rate increase	10.1%	161.4	156.8
DP/NF one time increase	NA	10.7	10.7
Adult Day Health Care	4.54%	1.1	1.1
<b>TOTAL</b>		<b>402.8</b>	<b>397.01</b>

Footnotes:

1. Rate adjustments only (GF appropriations do not reflect the costs associated with expanded benefits).
2. GF appropriations include fee-for-service and managed care where applicable.
3. Rate increase percentages are expressed as averages per service category. Actual increases for specific services will be set by DHS, in consultation with stakeholders, and will vary by procedure within individual service categories. Rate increases do not overlap increases in other categories.
4. \* Federal funds presumed to be 50/50. Actual FMAP adjustments included overall FMAP adjustment in the May 2000 Estimate.

09/05/2000

Prepared by the Department of Health Services, MCPD, RDB

The Mid-Year Adjustment proposed to reduce rates by 10 percent effective April 1, 2003. The January 10 budget proposed to reduce provider rates another five- percent effective July 1, 2003. Combined, the budget proposes to reduce provider payments by a total of \$1.428 billion. Of that, the state would save \$702.510 million in GF. In many cases the provider rates would return to the levels that were paid in the mid 1980s. (See the Department of Health Services table below.)

Rates for hospital inpatient care are contracted for by the state with hospitals and are not subject to Department's authority for rate reduction. Hospital outpatient rates are excepted from the rate-making authority of the Department because they are subject to a recently settled court case. Rates for Federally Qualified Health Centers are governed by federal statutes and are not subject to the rate-making authority of the department.

The administration had proposed a rollback of provider rates for the 2002-2003 fiscal year. However, the Governor signed legislation that repealed the rate reduction. Reimbursement rates for Medi-Cal providers are lower than what they are in other states. The low reimbursement rate limits the number of providers that are available to Medi-Cal beneficiaries. Rolling rates back to the pre-August 2000 level, which in many cases are not much different from the levels in the mid 1980s, will undoubtedly have an impact on access to medical care for Medi-Cal beneficiaries.

**Comprehensive Summary of  
Provider Rate Increases Since 1985**

<b>Provider/ Service Type</b>	<b>00/01</b>	<b>99/00</b>	<b>98/99</b>	<b>97/98</b>	<b>96/97</b>	<b>95/96</b>	<b>94/95</b>	<b>93/94</b>	<b>92/93</b>	<b>91/92</b>	<b>90/91</b>	<b>89/90</b>	<b>88</b>	<b>87/88</b>	<b>86/87</b>	<b>85/86</b>
Acupuncturists	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Audiologists	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
CHDP/EPSTD: Primary Care	20.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
CHDP/EPSTD: Other Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Chiropractors	130.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Clinical Laboratories	53.0 (u)	0.0	0.0	0.0	0.0	-3.0	0.0	0.0	-1.0	0.0	0.0	0.0	0.0	-7.2	-6.0	26.3
Clinics: Birthing Centers	0.0	0.0	0.6	0.0	1.8	3.5	1.7	15.6	16.4	0.0	(i)	--	--	--	--	--
Clinics: Free &	0.0	0.0	10.0 &	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0

**JOINT HEARING-BUDGET SUB 1 AND ASSEMBLY COMMITTEE ON HEALTH APRIL 1, 2003**

<b>Community</b>			20.0(j)													
<b>Clinics: Surgical</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Dental Services (FFS)</b>	6.8 (v)	0.0	0.0	0.0	0.0	-27.7(a)	0.0	15.9(a)	64.7(a)	38.8(a)	0.0	5.0	0.0	0.0	0.0	5.3
<b>Drug Dispensing Fee: Basic</b>	0.0	7.0	0.0	0.0	0.0	0.0	-12.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Drug Dispensing Fee: Compounding</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Drug/Medi-Cal</b>	(g)	(g)	17.0	-31.0	-27.0	-23.0	7.5	-8.2	3.6	3.9	0.0	-0.7	-1.2	5.5	-0.5	0.0
<b>Durable Medical Equipment</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Eye Appliances</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Hearing Aids: Fitting Services</b>	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Hearing Aids: Appliances</b>	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Heroin Detoxification: Outpatient</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Hospital Outpatient Department: Primary Care</b>	16.7 (t)	0.0	10.0 & 20.0(j)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Hospital Outpatient Department: Rooms</b>	0.0	0.0	15.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Incontinence Supplies Dispensing Fee</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Maxillofacial Services</b>	6.8 (v)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	0.0	4.0
<b>Med Supplies Dispensing Fee</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Med Transportation: Air</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(b)	--	--	--	--	--	--	--	--
<b>Med Transportation: Ambulance</b>	0.0	11.7(l)	37.9(k)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Med Transportation: Wheelchair/Litter Van</b>	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Nurse Anesthesia: Obstetrical</b>	13.29 (t)	21.8(q)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Nurse Anesthesia: Non Obstetrical</b>	13.29 (t)	10.5(m)	0.0	0.0	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Occupational Therapists</b>	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Optometrists</b>	0.0	18.1(n)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Orthodontic Services</b>	6.8 (v)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	0.0	4.0
<b>Physical Therapists</b>	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Physicians: CCS/Medi-Cal</b>	39.0 (o)	5.0(o)	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Physicians: Primary Care</b>	16.7 (t)	0.0	10.0 / 20.0(j)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0(d)	0.0	5.3
<b>Physicians: Vaccine Admin. Fee</b>	16.7 (t)	0.0	20.0	0.0	0.0	90.4	--	--	--	--	--	--	--	--	--	--
<b>Physicians: Other Medicine</b>	16.7 (t)	(p)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: Anesthesia, Obstetrical</b>	13.29 (t)	21.8(q)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: Anesthesia, Non Obstetrical</b>	13.29 (t)	10.5(m)	0.0	0.0	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: Gynecology</b>	16.7 (t)	10.5(m) & (r)	0.0	0.0	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: OB Vaginal Delivery</b>	16.7 (t)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8(c)	18.0	16.0(e)	26.5	5.3
<b>Physicians: OB C-Section</b>	16.7 (t)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-19.6(c)	0.0	0.0	26.5	5.3
<b>Physicians: Abortions</b>	16.7 (t)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: Other</b>	16.7 (t)	10.5(m)	0.0	0.0	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	5.3

<b>Surgery</b>		) & (s)														
<b>Physicians: Radiology</b>	16.7 (t)	10.5(m)	0.0	0.0	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: ER Medicine</b>	16.7 (t)	0.0	0.0	25.0(h)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Physicians: ER Surgery</b>	16.7 (t)	10.5(m)	0.0	25.0(h)	0.0	0.0	0.0	0.0	-9.5(f)	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Podiatrists</b>	16.7 (t)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Portable X-Ray Transportation</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	5.3
<b>Prosthetics/Orthotics</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
<b>Psychologists</b>	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
<b>Respiratory Care Practitioners</b>	10.0	0.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Short-Doyle/Medi-Cal</b>	(g)	(g)	3.0	2.9	3.6	5.3	3.4	-4.6	3.6	11.9	2.2	8.5	5.0	4.2	2.8	4.9
<b>Speech Therapists</b>	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0

**COMMENTS:**

**I. Long Term Care**

**Department of Health Services**

1. Long term Care rates are set pursuant to a State Plan Amendment (SPA) filed by the Department of Health services with the Center for Medicare and Medicaid Services in Washington. The Department of Health Services has talked with CMS about the rate reduction and was told that a 15 percent rate reduction could be approved. Department of Health Services please describe for the Subcommittee what the Department would need to do in order for a 15 percent rate reduction to be effective July 1, 2003.
2. What is your assessment of the impact of such a significant rate reduction on the closure of facilities?
3. If, as some have stated, a significant number of facilities were to close, how would access be assured?

**II. All other providers**

**Department of Health Services**

1. What is your assessment of the impact of such a significant rate reduction on the availability of providers?
2. Can access be maintained if significant numbers of providers no longer are willing to care for Medi-Cal beneficiaries?
3. What will be the effects of the managed care reductions on access to specialists in the health plans?
4. What will be the effects of the managed care reductions on the viability of the Local Initiatives and the County Organized Health Systems?

**4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL****ISSUE 2: ELIMINATION OF MEDI-CAL OPTIONAL BENEFITS FOR ADULTS**

Together the Governor's Mid-Year Adjustments and January 10 budget proposals would permanently eliminate the following optional benefits from the Medi-Cal program for adults above age 21 and not in long term care: dental services, medical supplies, podiatry, acupuncture, chiropractic services, psychology, independent rehabilitation centers and occupational therapy, hospice, non-emergency medical transportation, optometry, optician/laboratory, physical therapy, prosthetics, orthotics, speech/audiology; hearing aids; durable and medical equipment.

**BACKGROUND:**

Currently the Medi-Cal program offers all 34 optional benefits authorized under federal law. The elimination of the following 18 optional benefits for adults would save the state \$361.83 million GF in the budget year.

**OPTIONAL BENEFITS: TOTAL FUND SAVINGS**

<b>Service</b>	<b>Budget Year</b>
Adult Dental Services	\$423.602 Million
Medical Supplies	\$108.666Million
Podiatry	\$8.682Million
Acupuncture	\$5.812Million
Chiropractic	\$.798million
Psychology	\$.458Million
Independent Rehabilitation	\$.046Million
Occupational Therapy	\$.030Million
Hospice	\$27.358 million
Non-Emergency Medical Transport	\$62.968 million
Optometry	\$18.376 million
Optician/Laboratory	\$29.032 million
Physical Therapy	\$.060 million
Prosthetics	\$4.168 million
Orthotics	\$1.280 million
Speech/Audiology	\$1.456 million
Hearing Aids	\$5.820 million
Durable Medical Equipment	\$25.048 million
<b>Total Savings</b>	<b>\$723.660 Million</b>

Dental care and medical supplies constitute nearly 70 percent of the savings to the state. For dental care the residents of long-term care facilities would not be affected by the cutback. Many individuals experience severe oral health problems and need the services. The only options for adults without the Medi-Cal coverage will be to seek emergency care in hospital rooms and community clinics. For adults that are clients of the Regional Center system the services would be reimbursed by the Regional Centers, as the benefits are part of the

Lanterman Act entitlement. There would be no federal match; the reimbursement would be 100 percent from the GF.

Medical supplies include, among others, catheters, diabetic test strips and syringes. The proposal would deny these items to adults on Medi-Cal. They each are medically necessary. The denial would subject the Medi-Cal beneficiaries to infections, illnesses and hospital visits to address the health issues that result from not having medically necessary supplies. The health care costs would be shifted from the state and federal government to the counties, clinics and hospitals, as they are the entities that pay or subsidize the health care services provided to the medically indigent.

**COMMENTS:**

**Department of Health Service**

1. Please describe the phrase optional benefits – to whom or what are these benefits optional?
2. What will happen to an adult Medi-Cal beneficiary that relies on eliminated services when they are no longer available under Medi-Cal? Is it likely that many or some will require hospitalization? Are these costs factored into the estimated savings?