

Gov. Schwarzenegger Signs Budget Restoring Provider Cuts

On September 23, California Gov. Schwarzenegger signed a revised budget package that would restore most of the 10 percent reduction in Medi-Cal provider rates starting March 2009. Medi Cal is California's Medicaid program.

Gov. Schwarzenegger approved the package after lawmakers agreed to his demand for a lock-box reserve fund (rainy day fund) that could be tapped when revenue fall below expected spending, increase funding of the reserve from 5 percent of general fund expenditures to 12.5 percent, and gubernatorial authority to enact midyear budget cuts.

The Medi-Cal cuts were approved by lawmakers in February during an emergency legislative session to address the state's budget crisis. Most of the cuts took effect July 1.

According to a Bureau of National Affairs report (BNA) the state Department of Finance, noted that the enacted budget package includes additional cuts and line item vetoes. They include:

- Cutting \$107.2 million in funding for counties to determine eligibility for Medi-Cal services. County eligibility workers perform intake and re-determination work with beneficiaries applying for services;
- Limiting fee-for-service Medi-Cal payments for inpatient care at hospitals that do not contract with Medi-Cal through the California Medical Assistance Commission (CMAC), producing \$17.5 million in general fund savings;
- Reducing amounts participating plans must pay hospitals that are out of the plan's network for emergency services and for post-stabilization services provided to Medi-Cal beneficiaries. Rural hospitals and hospitals in areas historically excluded from contracting and that have fewer than three general acute care hospitals would be exempted; and
- Authorizing the Department of Health Care Services (DHCS) to contract for specialty pharmacy products, including blood factor products, blood derivatives, immunizations, and other specialized drugs. The DHCS would also establish a process to collect rebates from drug manufacturers for these specialty pharmacy products. The administration estimates that these changes would produce \$250,000 in savings.

The reductions in fees paid to Medi-Cal providers remain the subject of continuing litigation by providers challenging the state's authority to enact them. The administration is appealing an Aug. 18 federal court ruling granting a preliminary injunction blocking most of the cuts that took effect July 1

According to the California Medical Association (CMA), one of the provider groups challenging the reductions, the federal ruling reversed the 10 percent Medi-Cal reimbursement cuts as of Aug. 18 and DHCS began paying Medi-Cal physicians the full rate for all claims from that date forward.

DHCS will also reprocess all claims for services provided after Aug. 18 that were previously paid with the 10 percent reduction, according to the CMA.

If you have any questions on these or other topics, please contact Shuan Tomlinson at 800-338-2746 ext. 4547 or by email at stomlinson@acponline.org.

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