

## REMAKING HEALTH INSURANCE: THE AFFORDABLE CARE BLOG

# Funding cuts hit California's Medicaid program with double whammy

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A new year can offer hope and a fresh start, but California's Medicaid program is already suffering a setback.

As of Jan. 1, payments to primary care physicians who treat Medi-Cal patients dramatically decreased to rates that doctors say are unacceptable. Medi-Cal is part of the nationwide Medicaid program that provides

health insurance for the poor.

The rates suffered from two hits. The first is the end of a federal mandate that boosted payments in 2013 and 2014 as part of the Affordable Care Act (ACA) launch. In addition, statewide coverage rates for Medi-Cal are decreasing by 10 percent due to the enactment of 2011 legislation that was delayed until now.

With the loss of funds, California's Medi-Cal rates return to ranking among the lowest in the nation. The Los Angeles Times [reported](#) that in April 2014, a basic office visit for a returning patient would pay only \$18.10 for Medi-Cal. In comparison, Medicare — the national health insurance program for the elderly — paid \$45.69 for the same visit.

The federal mandate, known as the “Medicaid fee bump,” boosted Medicaid rates to match those of Medicare, at a cost of \$5 billion nationwide, according to The Times. In California, physicians received about \$1.64 billion in additional fees for patients who received treatments through managed care, and another \$350 million for fee-for-service care.

About 15,000 primary care physicians in the state benefitted from the fee bump, according to the California Department of Managed Health Care (DMHC). The department said it did not have data on how many physicians were already treating Medi-Cal patients versus those who responded to the incentive of higher fees.

California's low Medicaid reimbursement rates are widely thought to be responsible for an inadequate number of physicians willing to treat Medi-Cal patients. Though technically insured, Medi-Cal patients must sometimes wait for months for an appointment to see a primary care provider.

Leah Newkirk, vice president of health policy with the California Academy of Family Physicians said at the very least, she worries that the loss of the higher fees will make it difficult to recruit more doctors. But it could also push some doctors who currently treat Medi-Cal patients to stop offering them care.

"Family physicians want to continue to see Medi-Cal patients," Newkirk said. "They want to be open to the entire California population. The rates are so low it's a question of affordability. They can't keep their doors open being paid at that rate."

California's Medi-Cal population numbers at about 11.3 million, including 2.3 million who were added as a result of expanded eligibility requirements under the ACA.

[An analysis](#) by the Urban Institute, a nonpartisan group in Washington, D.C., found that California's reimbursement rates will drop by 58.8 percent with the loss of the fee bump. It also reports that the state ranks below average when it comes to physicians who will accept Medi-Cal patients.

Further compounding matters is an additional 10 percent fee drop that also took effect in the state on Jan. 1. In 2011, while still coping with a budget deficit, California legislators passed [AB 97](#), which reduced Medi-Cal fees for services that includes dentistry, pharmaceuticals, and clinical and primary physician care. While the federal government kicked in funds to raise rates, primary physicians received a reprieve. However, now that a [court injunction](#) blocking the cuts has been lifted and the federal funding increase has expired, the drops will take effect.

Of course, legislators always have the option to follow states like Alaska, Maryland and Maine, which are expected to continue paying Medicaid rates that match those of Medicare. For California, that would mean a cost of about \$1.8 billion a year, with about 40 percent coming from the state and the rest from the federal government.

That's expensive, but perhaps less expensive than paying for emergency room visits because Medicaid patients could not access primary care doctors.

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