

Health care providers: Medi-Cal cuts disastrous

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A year ago, state leaders were pushing reforms to extend health coverage to all Californians.

Now, they are making budget cuts that could block access to health care for the poor and increase the population of the uninsured, health care advocates say.

Hospitals in Stanislaus County stand to lose almost \$11 million from state Medi-Cal program cuts scheduled to take effect July 1, the California Hospital Association estimated.

But hospitals are not the only ones affected. Physicians and dentists, who already get slim reimbursements from Medi-Cal, the state's health care program for the poor, are facing a 10 percent reduction in payments. Pharmacists say the cuts will force them to sell medicine at a loss or stop filling prescriptions for Medi-Cal patients.

The Legislature approved the \$1.3 billion in Medi-Cal cuts in February and Gov. Schwarzenegger signed them into law to help bridge a \$17 billion state budget deficit. The state also plans to delay for a month the June 19 Medi-Cal payments to hospitals, pharmacists and adult day health care centers.

Up to \$232 million in additional health care cuts were proposed in the governor's revised budget this month, including a reduction for hospitals that care for large numbers of uninsured.

In addition, more low-income residents could be without coverage because of proposed changes to Medi-Cal eligibility rules and benefits.

The cuts are expected to hit hard in the Northern San Joaquin Valley, home to more than 300,000 Medi-Cal recipients.

"These cuts may seriously start the meltdown of the health care system, especially for the small rural hospitals," said Jan Emerson, spokeswoman for the California Hospital Association. If "doctors drop out of the program because of these cuts," she said, "patients on Medi-Cal won't have a doctor and they are going to come to the hospital emergency rooms."

Trying to stop the cuts

A lawsuit by the hospital association, California Medical Association and trade groups representing dentists and pharmacists is seeking an injunction to block the cuts. On Wednesday,

attorneys for the state were able to move the case to federal court in what the plaintiffs said was a delaying tactic.

The plaintiffs' attorneys are filing paperwork to return the class-action lawsuit to Los Angeles County Superior Court and schedule a hearing before July 1, said attorney Craig Cannizzo with the Hooper, Lundy & Bookman law firm's San Francisco office.

According to the lawsuit, the budget cuts are in violation of laws requiring the state to meet minimum standards so Medi-Cal patients have access to health care providers.

"They don't meet (the standards) now and the cuts will exacerbate the failure," Cannizzo said.

The governor's office maintains the cuts are necessary.

"As the state faces a \$17 billion budget hole, we can only spend what we have," said Lisa Page, a governor's office spokeswoman. "The governor understands that these necessary budget reductions are difficult, which is why he is advocating for comprehensive health care reform and budget reform."

The lower Medi-Cal payments will be difficult for any hospital to absorb, said Denny Litos, chief executive of the 398-bed Doctors Medical Center of Modesto. The 9,700 Medi-Cal recipients treated at DMC last year accounted for 42 percent of the hospital's patients, according to state records.

The hospital will lose an estimated \$1.9 million in Medi-Cal payments in the next year.

"Like any other hospital, we are constantly faced with increases in the costs of operation, whether it's for payroll or the cost of supplies, and we are also faced with having to reinvest in our facilities," Litos said. "For our hospital, if you take almost \$2 million away, it is roughly 20 percent of our net income after taxes. It comes right off the bottom line."

He questioned the wisdom of the budget cuts, which reduce the amount of federal matching dollars to California for the health program. California isn't taking advantage of strategies used in other states to increase federal funding for health care, he said.

He added that a big concern are the people who no longer will have Medi-Cal coverage. "We will be serving more uninsured patients," he said. "That is becoming such a major issue for all hospitals."

Smaller organizations such as the Oak Valley Hospital District in Oakdale are less able to absorb the cuts. Oak Valley anticipates \$1.2 million in lost revenue.

"This is a significant reduction and may jeopardize our ability to care for patients, residents of our long-term care facility, and those who rely on our rural community centers," said Chief Executive Officer John Friel in a statement Friday.

After July 1, the Medi-Cal payments for pharmacies would be less than the cost of buying and dispensing the medications, industry groups said. Drugstores expect to lose money on one-third of prescriptions, including the 10 most prescribed drugs reimbursed by Medi-Cal.

'I really have no choice'

The small independents will have a tough time.

Jose Carranza, owner of the Carranza pharmacies in Modesto and Hughson, said the cuts come after independent pharmacies have dealt for years with dwindling payments from insurers and government programs. He may have to reduce payroll or discontinue services such as home deliveries, he said.

"I really have no choice but to serve Medi-Cal patients," he said. "I will continue to fill the prescriptions and wait to see what happens."

Marci Nelson, a Medi-Cal beneficiary in Modesto, said she's concerned fewer doctors will accept Medi-Cal patients. She requires treatment for high blood pressure, and her husband and a daughter have chronic health conditions.

The family is well within the eligibility for Medi-Cal unless they earn more. "When we do start making more money, how in the world are we supposed to afford medical care?" she asked.

The Stanislaus County Health Services Agency clinics are planning on serving about the same number of patients in the fiscal year starting July 1, said Phoebe Leung, assistant director of the agency.

The county's primary care clinics get enhanced reimbursements for Medi-Cal patient visits through the Federally Qualified Health Center program, so they won't be affected by the Medi-Cal cuts. The specialty clinics will receive lower Medi-Cal payments, but the agency can absorb the losses, she said.

Matt Freitas, a nurse practitioner and co-owner of Aspen Family Medical Group in Modesto, said he laid off an office worker to brace for the July 1 cuts. His clinic on McHenry Avenue gets about \$22 for a Medi-Cal patient visit.

He thinks the generous Medicaid spending in the Iraq war funding bill, overwhelmingly approved by the House of Representatives last week, will give health care advocates the traction they need to defeat the Medi-Cal reductions. (The Medicaid program is known as Medi-Cal in California.) The bill requires Senate approval.

"I think it would be premature for the state to follow through with the cuts," he said.

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