Protect Children's Access to Care by Reversing Medi-Cal Payment Cuts

The legislature and Governor should **reverse all Medi-Cal provider payment rate cuts passed in 2011** and develop a transparent data collection and reporting system that allows for adequate and timely monitoring and tracking of access to care for children and the impact of rate changes.

Background on Medi-Cal payment rates

Medicaid (Medi-Cal) provides health coverage for half of all California children, however access to care can be imperiled when rates are not adequate.

Medi-Cal payments to providers are:

- Among the lowest in the nation, at just 80 percent of the national average;[1]
- Only 43 percent of the Medicare payment rate for primary care services, on average;[2] and
- So low that California currently ranks 49th in per-child Medicaid spending.[3]

Medi-Cal payments were further lowered by an arbitrary 10 percent cut in Assembly Bill 97 (Committee on Budget, Chapter 3, Statutes of 2011).[4] Despite litigation, the implementation of the approved cuts is currently in process. The rate reductions affect some Medi-Cal fee-for-service providers, and an actuarially equivalent reduction for Medi-Cal managed care plans, the main delivery system for children's health services in Medi-Cal.[5]

While the Department of Health Care Services (DHCS) chose not to apply the rate reduction to physician/clinic services for children following their own access analysis (which demonstrated a risk to children's access to care), the remaining payment cuts affect the following Medi-Cal services provided to children: dental, pharmacy, durable medical equipment, medical supplies, laboratory, optometry, and emergency and non-emergency medical transportation.

Access to care for children is impacted by Medicaid payment rates

Medicaid payment rates impact whether providers are willing to participate in the Medicaid program and how many Medicaid patients they will serve. States have ample flexibility to set Medicaid rates and fees, which are the primary levers used to increase access to physicians.[6]

- Higher payment rates have been shown to increase the likelihood that a provider will accept Medicaid patients.[7]
- Lower payment Medicaid rates will make health care providers less inclined to see Medicaid enrollees – a notion confirmed in a survey of California pediatricians, where 89 percent indicated that a rate reduction resulting from the Healthy Families transition would affect their willingness to accept new patients.[8]

A sufficient supply of health care providers willing and able to accept children with Medicaid is critical for ensuring low-income children have access to the medical, dental, and mental health services they need. When that supply is limited, however, families may have difficulty finding a quality, culturally competent provider within a reasonable time and distance when they need one.

When children have difficulty accessing appropriate providers in a timely way, utilization of critical health services for children is consequently lower than it should be, potentially affecting children's health outcomes and well-being. Access to more providers participating in Medicaid should translate into increased use of appropriate services for children. As emphasized by the federal Medicaid and CHIP Payment and Access Commission (MACPAC), "access" means that Medi-Cal beneficiaries are able to obtain the care they need on a timely basis that reflects appropriate use of health care services.[9]

The future of Medi-Cal access to care and the impact of rate changes

As predicted by economic theory and legal challenges and demonstrated by experience, the cut to Medi-Cal provider rates will have an adverse effect on children's access to care and strain the Medi-Cal system as a whole. Allowing the AB 97 Medi-Cal cuts to continue will adversely impact the ability of the state to ensure

sufficient access to a network of Medi-Cal providers as guaranteed under the Medicaid entitlement and "equal access" provision of federal law.[10]

Timely access to care will be jeopardized if the rate cuts directly push some providers out of the Medi-Cal system, particularly those specialty care providers and small businesses serving niche populations with special health needs. For example, Mini Pharmacy, a Los Angeles-based pharmacy which has been providing a vital home delivery service of needed insulin, medications, and testing supplies for the high-risk pediatric diabetes population throughout California for 34 years, will be forced to make some very difficult choices.[11]

Making matters worse, as the Legislative Analyst's Office (LAO) has extensively pointed out, a significant dearth of reliable access data from DHCS and a flawed public reporting system makes it difficult to meaningfully assess access to care in Medi-Cal and therefore to sufficiently monitor the impact of the payment rate cuts on access to care.[12]

For these reasons, to help ensure low-income children's access to care, the state should immediately reverse all Medi-Cal provider payment rate cuts and invest in a transparent data collection and reporting system within DHCS that allows for adequate monitoring and tracking of the key aspects of access to care for children and the impact of rate changes.[13] An effective and meaningful access monitoring system must include not just children's Medi-Cal enrollment breakdowns and up-to-date utilization data, but also health plan quality and performance indicators, timely access to care standards (like wait times), consumer survey results, and child health outcomes data that can be tracked over time.

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Payment Rates Impact Children's Access to Dental Care

Research has shown that increased payments to Medicaid dentists lead to an increased probability that a child had an annual dental visit, *and* an increased probability that a dentist treats Medicaid patients. However, Denti-Cal payments are low - about one-third the amount of private reimbursements for dental care in California. Furthermore, only one in four California dentists participate in Denti-Cal, and of those that do participate in Denti-Cal, only half are accepting new patients. In fact, a recent survey of more than 300 dentists found that over 97 percent of dentists who do not participate in Medi-Cal report low reimbursement rates to be their main reason for not participating. Currently, there are no Denti-Cal dentists available for children at all in four counties (Alpine, Sierra, Mariposa, & Yuba).

Given the limited number of dentists serving Medi-Cal patients, many families have trouble finding a dentist for their children. It is therefore not surprising that the Denti-Cal utilization rate for children was 36.2 percent in 2012, placing California's Medicaid children in the lowest quintile nationally and far from California's Oral Health Initiative goal of increasing utilization to 47 percent by 2015. This overall dynamic in access to care for children in Denti-Cal will likely be further exacerbated by an ongoing inadequate supply of dentists and the increased demand for services resulting from the partial restoration of adult dental benefits, which takes effect in May.

Sources: T. Buchmueller, et al., "The Effect of Medicaid Payment Rates on Access to Dental Care Among Children," NBER Working Paper No. 19218 (July 2013), http://www.nber.org/papers/w19218 ; See: Children Now, "California's Failing Dental Check-Up: Why Kids in Denti-Cal Are Feeling the Pain" (2013), http://www.childrennow.org/uploads/ChildrenNow-Oral-Health-Infographic.pdf; Barbara Aved Associates, "Without Change It Is the Same Old Drill, Improving Access to Denti-Cal Services for California Children Through Dentist Participation," (2012); and CMS approval letter to DHCS for Healthy Families transition Phase 4b, (October 31, 2013), http://www.dhcs.ca.gov/services/Documents/CA%20CHIP%20transition%20phase%204b.pdf

Sources & Notes

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[2] *Ibid.*
[3] From www.statehealthfacts.org: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY 2010 MSIS and CMS-64 reports.
[4] See: "Department of Health Care Services Announces Federal Approval of Medi-Cal Budget Reductions," (October 27, 2011), http://www.dhcs.ca.gov/formsandpubs/publications/opa/Documents/11-06%20SPA%20Approvals.pdf
[5] See: "Assembly Bill 97 Provider Payment Reductions" http://files.medi-cal.ca.gov/pubsdoco/newsroom/newsroom_21682.asp and "Implementation of AB 97 Reductions" http://www.dhcs.ca.gov/Documents/AB97ImplementationAnnouncemen081413.pdf
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[8] American Academy of Pediatrics – California District and the 100% Campaign, "Pediatrician Perspectives on the Transition of Healthy Families Children into Medi-Cal," (April 13, 2012).
[9] MACPAC first presented a conceptual framework for access to care in its March 2011 report to Congress, which includes measures that reflect and stress timely receipt of care in an appropriate settings, see www.macpac.gov/reports
[10] Federal law mandates that states' fee-for-service (FFS) reimbursement rates to providers be sufficient to enlist enough providers so that care and services are available to Medicaid beneficiaries to at least the same extent that they are available to the general population in a geographic area. California should monitor and report on how this "equal access" provision of federal law is being met as the 10 percent provider rate reductions for dental services goes into effect.
[11] Personal communication with Mini Pharmacy owner, Richard Fox, and Chief Operating Officer ,Isaac Mizraki, on April 9, 2014).
[12] See: D. Gorn, "Legislative Analyst Pushes for Better Oversight of Health Care Services," California HealthLine (March 10, 2014), http://www.californiahealthline.org/capitol-desk/2014/3/legislative-analyst-pushes-for-better-oversight-of-health-care-services; and pages 25-39 of Legislative Analyst Office, "The 2014-15 Budget: Analysis of the Health Budget," (February 20, 2014), http://www.lao.ca.gov/reports/2014/budget/health/health-022014.pdf
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