CHA | California Hospital Association

Key Messages

Every Californian Deserves Access to Equitable Health Care

Low-income Californians who rely on Medi-Cal are shortchanged by the health care system.

- Medi-Cal is the health coverage safety net for low-income Californians, delivering vital access to care to more than one-third of people in our state, including nearly half of all children.
- But systemic underfunding means that those who care for Medi-Cal patients are reimbursed 74 cents on the dollar for the cost of care. That results in fewer resources for care in California's vulnerable communities and insufficient access to care for our largely low-income and non-White population centers — a significant factor in inequitable health outcomes and an untenable status quo if we value a just and healthy society.
- We will never make progress toward health equity in our state if Medi-Cal continues to underfund care for those with the greatest needs.

Updating Medi-Cal fee-for-service inpatient reimbursement will create greater equity in care and better health outcomes for California's highest risk residents.

- Underfunding of the Medi-Cal program disproportionally affects people within populations that are often at the highest risk of poor health. The formula for reimbursing hospitals and other health care providers does not account for sicker, more disadvantaged communities and has not been increased since its inception a decade ago — all while the needs of communities with socioeconomic challenges have grown significantly.
- Current state law requires Medi-Cal inpatient reimbursement for the vast majority of California's hospitals to be fixed at 2012-13 levels, while expenses for patient care — things like health care worker salaries and benefits, medical supplies, pharmaceuticals, utilities, and more — have increased by more than 45% during that time period.
- Designated public hospitals use their own resources, instead of receiving state general funds, to provide care to Medi-Cal fee-for-service patients, resulting in reimbursement that only covers roughly half of the cost to care for hospitalized patients.
- Existing state policies that rely on "provider-funded" Medi-Cal payments erode the net amount of reimbursement for providers. These policies have exacerbated the Medi-Cal shortfall and obscured the widening gap between health care resources for low-income communities compared to wealthier communities.

It will take substantive changes to Medi-Cal reimbursement to course correct a deeply underfunded system. Reform should include:

- Replacing the policy that froze hospital APR-DRG rates (a schedule of payments for common procedures) at 2012-13 levels
- New, annual payment adjustments that account for the social and environmental challenges patients may be experiencing
- Converting designated public hospitals' Medi-Cal fee-for-service inpatient reimbursement to a value-based structure that includes state General Fund support

It is vital to the health of Californians to further fund programs that train doctors across the state. Supporting graduate medical education (GME) programs in the following ways will be key to replenishing our depleted health care workforce:

- Expand the Medi-Cal GME program to include **all eligible hospitals**, not just the designated public hospitals
- Addresses the self-financing requirement and dedicates ongoing state General Fund resources to support these vulnerable programs