The Faces of Medi-Cal

Medi-Cal Cuts—Third World Healthcare in the World's 5th Largest Economy

(Background Paper)

How might the biggest budget deficit in California's history affect the Medi-Cal program and its patients and why are Medi-Cal cuts bad economics?

BUDGET DEFICIT: The governor reports a budget deficit of an estimated $35 billion; that is over an 18-month period, so the annualized figure is ONLY $23.5 billion.

Any cuts to Medi-Cal will have a profound effect on the lives of patients and on the economy of California. Because of the severe implications of these proposals, more than 60 groups have united as Californians United for Quality Health to find a way to prevent cuts to Medi-Cal.

PROPOSED CUTS TO MEDI-CAL: The governor has proposed major cuts to the Medi-Cal program, making Medi-Cal take the brunt of more than 6% of the budget deficit. The chart below shows the total state funds that would be cut and total federal funds lost with cuts to eligibility, optional services and provider reimbursements:

Program	2003-2004 cut	Total Federal $$ Lost
Provider Reimbursements (15% reduction)	$720 million	$720 million
Optional Benefits (elimination of 18 benefits)	$362 million	$362 million
Eligibility (532,000 added to the rolls of uninsured)	$269 million	$269 million
Total	$1.35 billion	$1.35 billion

A PERFECT STORM: BUDGET DEFICIT THREATENS TO DEEPEN THE HEALTH CARE CRISIS:

How did California's budget expenditures get so "out of balance" with revenues to put these types of cuts on the table? There is no simple answer; but what we do know is disturbing.

- **DOT COM BUBBLE BURST –** After years of fortunes being made with the rapid expansion of the dot com industry, dot com companies stocks fell as fast as they had risen; many companies went bankrupt and there was significant loss of "high-end" jobs. All of this translates into reduced capital gains taxes, and reduced corporate and personal income taxes.

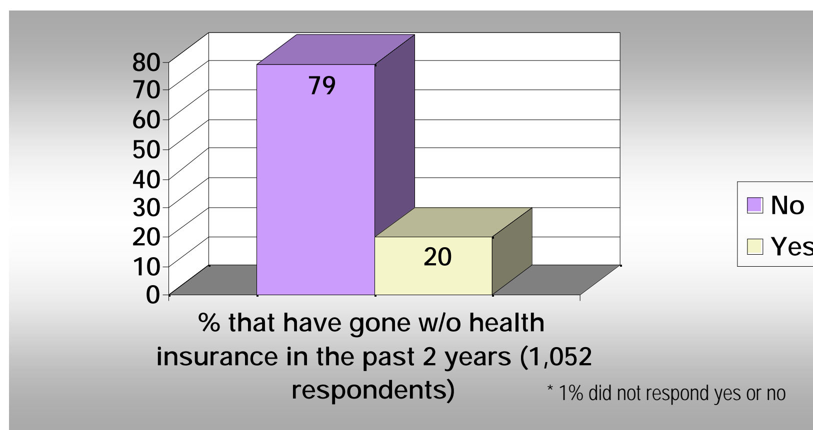
- **SEPTEMBER 11TH AFTERMATH -** The tragedy of September 11th also added to California's economic woes. While all of America was hurt economically by the aftermath of the terrorist attacks, California, which is more dependent on travel dollars than most states, was impacted even further.

THE UNINSURED IN CALIFORNIA:

California has the highest number of uninsured in the nation.

Most of the 7 million uninsured in California are people who do not earn enough to buy their own insurance yet earn too much to qualify for Medi-Cal. ***Eighty percent of the uninsured in California are employed or are children of employed parents.***

A recent California Health Care Foundation survey demonstrated that 20 percent of Californians have been uninsured in the past two years, a notably higher figure than the national average of 14.2 percent.



The financial impact on a family if even only one person is uninsured can be devastating, draining an entire bank account if the uninsured family member is injured or falls ill. Working and middle class families who are already living from paycheck to paycheck can be sent into a financial freefall because they lack health insurance to cover the costs of an illness or injury.

The impact of serving the uninsured not only takes a toll on families but on the health care system as well. The burgeoning numbers of uninsured jeopardize the ability of health care providers, hospitals and clinics to provide quality care to all patients.

During the past five years, the state has approached the problem of nearly seven million uninsured by increasing the number of Medi-Cal eligible and creating the Healthy Families program. While both efforts were partially successful (number of uninsured declined by approximately 500,000 according to the UCLA Health Policy Center), the number of uninsured still remains incredibly high. For example, in Los Angeles County, it is estimated that one-third of the population under 65 is uninsured, dependent on services funded through the county's health safety net. Thus, it is hardly surprising that the Los Angeles County health system is in financial crisis. However, expanding coverage of the uninsured through Medi-Cal and Healthy Families is no longer viable given California's projected budget deficit. Last year, we were able to reverse proposed reductions in eligibility; this year, the prospect of accomplishing the same result is much more problematic.

CUTTING MEDI-CAL WILL HURT CALIFORNIA'S AILING ECONOMY

For every dollar cut from the General Fund related to Medi-Cal, California loses one federal matching dollar. California not only loses one matching dollar but also business activity, which has an enormous impact on California's economy.

"In federal fiscal year 2001, California's investment in Medi-Cal generated more than a two and a half-fold (255 percent) return in state economic benefit – an increase in business activity of $31.5 billion from a state investment of $12.4 billion. The value of increased business activity from California's Medi-Cal program spending was the second largest in the country, surpassed only by that of New York." *Families USA - January, 2003 report "Medicaid: Good Medicine for California's Economy.* The report also found that Medi-Cal generated at least 291,000 jobs and $11.4 billion in increased wages.

According to Families USA, the proposed cuts to Medi-Cal will cause an economic loss of $3.2 billion, a loss of 27,994 jobs ($1.2 billion in lost wages.)

Cutting money out of the budget for covered services does not mean patients won't become ill or need care. Costs for all of these services will simply be shifted to a frail health care safety net system funded by county tax revenues.

ACCESS TO CARE IS A PROBLEM NOW

"Because we do not have enough pediatric specialists to see the sickest children with life-threatening illnesses, kids are 'triaged' based on medical immediacy. In some cases, parents have had to wait months to get appointments for those with chronic but 'non-emergent' medical concerns. The emotional toll to family and providers is tremendous."
--Erin Stucky, MD, Children's Hospital San Diego
Children's Specialty Care Coalition

The Medi-Cal Policy Institute recently completed a study to examine how many California providers in 1998 accepted Medi-Cal patients. The study showed that less than half of California physicians accept Medi-Cal patients and of those, most accepted fewer than 5% Medi-Cal patients.

An Urban Institute study from 2001 found that:

- 56% of Medi-Cal patients report difficulty in finding doctors who accept Medi-Cal.
- 61% of Medi-Cal patients enrolled in managed care report difficulty finding doctors.
- 94% of patients agree that it is important to get more doctors in the program.

- Several parts of the state report critical shortages in specialty care so that Medi-Cal patients need to travel an hour or more to receive care.
- **The 2001 Urban Institute study concluded that doctor's fee levels affect access to care.**

"*Even at today's rates, Shasta Community Health Center has been forced to "fly-in" Ear, Nose and Throat (ENT) specialists to provide needed surgery to children. This is already a troubled sign that even for children, California is looking more and more like a third world country when it comes to providing health care services to its children." Dr. Dean Germano, CEO, Shasta Community Health Center, Redding CA.*

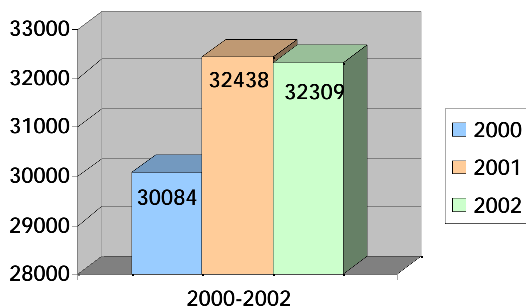
"The closure of two pediatric urgent-care centers in Fresno and Clovis will put a strain on local pediatricians, emergency rooms and patients. Children's Hospital Central California in Madera County on Wednesday announced the closing of two urgent-care centers as part of a $6.5 million cost-cutting plan. The hospital is also eliminating about 100 jobs and reducing or shutting down other services. The two urgent-care centers combine to serve about 40,000 patients a year, and sometimes as many as 200 patients a day. Dr. Melissa Aguirre, a pediatrician at Sequoia Community Health Foundation, a south Fresno clinic, said the closures will create havoc for local doctors and clinics and cause even longer waits in the emergency room at Children's Hospital. "We are going to get swamped when the urgent cares close," she said. (Fresno Bee, Feb. 14, 2003)

PROVIDER REIMBURSEMENT IS LINKED TO ACCESS TO CARE

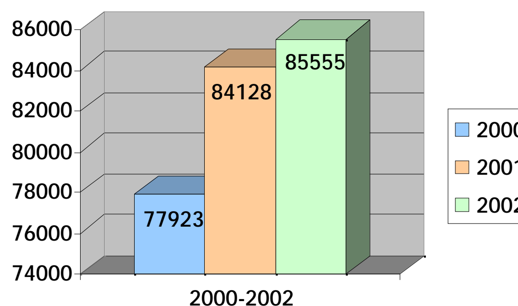
In August 2000, the California legislature and Governor Davis approved a relatively small increase for Medi-Cal providers, the first in 15 years. Physicians received an average increase of 16.7%. At that time California went from ranking 47th in the nation for provider reimbursements to 42nd in the nation. The proposal to cut provider reimbursements by 15% in this year's budget would rank California once again nearly dead last in the nation for reimbursements to providers.

The DHS data below demonstrates that since the rate increase, provider participation in Medi-Cal has risen.

Physician Medi-Cal Providers 2000-2002



All Medi-Cal Providers 2000-2002



("All" includes, but not limited to, Labs, Pharmacies, Nursing Homes, etc.)

"It's much more complicated than just cutting 15%. For many specialties and regions, the effects will be much greater. If, for instance, budget cuts force a medical group to lose one of its two pediatric endocrinologist positions, that means a 50% cut in endocrinology services, not 15%, to all children, not just those on Medi-Cal." --Harvey Cohen, M.D., Chair, Dept. of Pediatrics, Stanford University School of Medicine Children's Specialty Care Coalition

In July 2002 the California Medical Association surveyed members to find out how provider rate reductions would affect a physician's ability to continue accepting Medi-Cal patients. The following are the key findings:

- 75% of the physicians said they would limit the number of Medi-Cal patients they see.
- 68% would stop taking new Medi-Cal patients.
- 40% would stop participating in the Medi-Cal program altogether.

A recent survey by the San Diego County Medical Society of local physicians found that:

- 46% take Medi-Cal.
- 26% of those physicians accepting Medi-Cal will stop participating in the program in one to three years at the current reimbursement level.
- 42% of surgeons will no longer see Medi-Cal patients within three years.
- Nearly 40% of small groups and solo physicians will stop taking Medi-Cal within three years.

"With a 10% cut (to reimbursements), access to services would be diminished to a population that already experiences problems in this area. We would not be able to serve as many Medi-Cal patients as we do currently; we will have to balance meeting our costs through scheduling patients with other funding sources, and limiting those with Medi-Cal," Susan Nevitt, Family Health Centers of San Diego.

When a Medi-Cal patient cannot find a health care provider they will likely use the emergency room as a source of primary care or let an illness worsen until it becomes dangerous and much more costly to treat than if preventive care had been available. Chronically ill children, the elderly and people with disabilities who all need special and more frequent care will find it even more difficult to maintain a healthy lifestyle should the proposed Medi-Cal cuts occur.

Reducing Medi-Cal eligibility (increasing the number of uninsured), provider rate reductions and elimination of services like dental care; podiatry and medical supplies will put a dangerous strain on California's health care safety net.

HEALTH SAFETY NET

Cuts to the Medi-Cal program, if adopted, such a decline in the ability and capacity of safety-net providers will severely impact cost effective primary care clinics and costly emergency room services in California. Any patient that loses health care coverage or cannot find a Medi-Cal physician accepting new patients will be forced to use an emergency room or an outpatient clinic as a source of primary care, further straining these providers.

- Emergency room care and hospital outpatient rates are 3 to 4 times greater than ambulatory reimbursement.
- Emergency rooms currently lose $34 for every Medi-Cal patient visit.
- California emergency rooms lost $390 million in 2001, $65 million more than the previous year.

In the Governor's budget summary he acknowledges that, regarding optional benefits, "the savings estimates reflect the partial shift of beneficiaries to mandatory services, such as physician or emergency room services." Confirming that when a patient needs care they will find it somewhere and further strain the health care safety net.

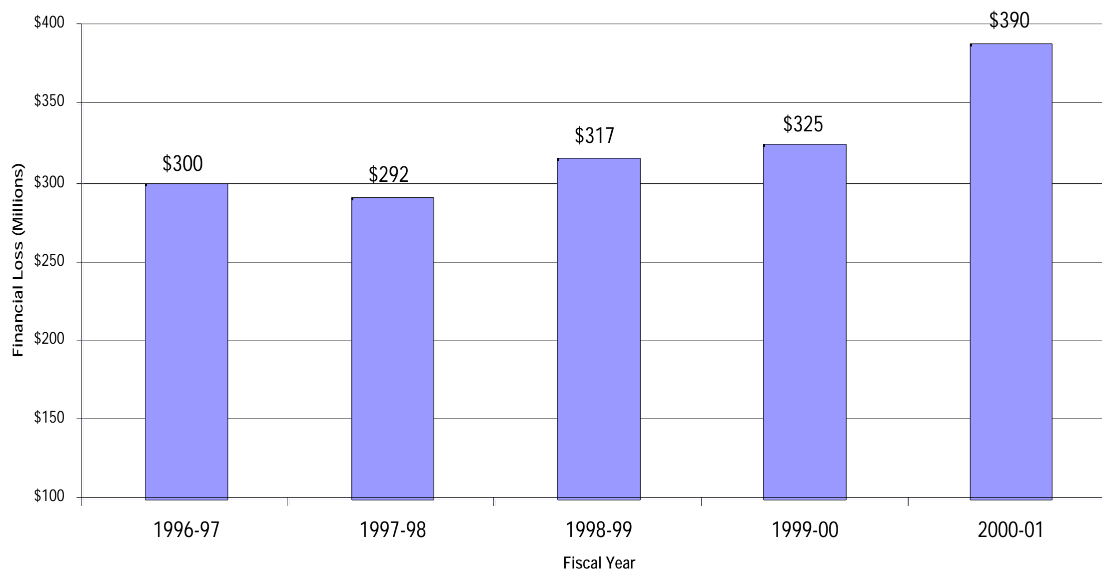
Last year in Governor Davis's signing message on AB 3006, the bill that protected Medi-Cal providers from reimbursement reductions, he stated, "rolling back rates to pre-August 2000 levels would be offset by costs associated with increases in emergency room visits, administrative costs of implementing the rate reductions, and the loss of physicians who would surely leave the Medi-Cal program."

Today, combined with losses from the large number of visits from uninsured patients, many emergency rooms struggle to keep their doors open at all. The result is that insured and uninsured patients wait longer to see a physician in the emergency room due to overcrowding and many times a patient will be diverted from the closest hospital when it is too busy. In the last 10 years, 60 emergency rooms have closed in California. (See ER losses chart and summary)

EMERGENCY DEPARTMENT FINANCIAL LOSSES (REPRESENTATIVE COUNTIES)

	1996-97	1997-98	1998-99	1999-00	2000-01	% Change 1999-2000 to 2000-2001	% of Statewide Total
Alameda County	$9,805,952	$16,879,461	$20,802,807	$24,469,659	$23,964,424	-2%	6%
Butte County	$2,049,620	$2,592,243	$4,216,448	$4,528,927	$3,243,496	-28%	1%
Contra Costa County	$8,648,299	$7,909,566	$12,077,437	$13,930,284	$16,884,581	21%	4%
Humboldt County	$72,376	$798,428	$1,307,618	$875,292	$1,259,645	44%	0%
Los Angeles County	**$78,195,890**	**$77,037,599**	**$94,944,083**	**$98,076,425**	**$120,063,609**	**22%**	**31%**
Monterey County	$164,907	$1,512,487	$2,934,341	$2,203,841	$3,405,965	55%	1%
Sacramento County	$2,039,529	$2,475,795	$5,709,972	$6,458,212	$7,153,888	11%	2%
San Bernardino County	$16,381,315	$17,142,584	$19,679,307	$20,232,226	$30,998,463	53%	8%
Santa Clara County	$9,384,158	$9,091,701	$15,538,942	$8,699,359	$17,430,827	100%	4%
Statewide Total (All Counties)	**$299,690,531**	**$291,986,350**	**$316,576,503**	**$324,699,115**	**$389,574,454**	20%	100%

Source: Office of Statewide Health Planning and Development (OSHPD) Hospital Annual Disclosure Reports (1996-01)



Los Angeles County will be more severely affected by budget cuts. One-third of all Medi-Cal recipients and the uninsured reside in Los Angeles County, and clinic closures, a critical piece of the Health Safety Net, were closed before the proposed 2003-04 cuts.

POTENTIAL STATE BUDGET IMPACT ON L.A. COUNTY

Governor Davis's proposed budget cuts to health care:

- Total statewide cuts to Medi-Cal = $2.6 billion
- Of these cuts the total amount that would be lost by Los Angeles County = $870.5 million
- These cuts would come on top of the financial crisis facing the LA health care system.

Proposed Cuts to Health Care Services	Total State Impact	Total Impact on All Los Angeles County Services
Elimination of 18 optional benefits Optional benefits include medical supplies like catheters, dental care and wheelchairs.	$723.7 million	$241.2 million
Eligibility 532,000 currently eligible enrollees would join the millions of uninsured. 33% of those new uninsured will be in Los Angeles where the uninsured is already 20% of the population.	$560.6 million	$144.3 million
Medi-Cal Rates A 15% cut would force physicians, home health care, nursing homes and other health care providers to try and operate in 2003 for rates paid in 1985.	$1.43 billion	$442.5 million
Total Cuts	**$2.7 billion**	**$870.5 million**

All dollar amounts include state and federal funds: 50% federal match for Medi-Cal.

- Fewer Medi-Cal providers will be able to afford to see Medi-Cal patients.
- Clinics will struggle to remain open.
- Fewer people will be eligible for Medi-Cal forcing them to use the Emergency Rooms.
- Trauma Centers and Emergency Rooms will close in Los Angeles and EVERYONE will be affected whether insured or not.

"Every man, woman and child is one drunk driver away, one gunshot away, one stabbing away from a trauma center." Supervisor Zev Yaroslavsky, LA Times, July 30, 2002.

PATIENT AND PROVIDER PERSPECTIVES: The following excerpts provide a look at the effect the elimination of optional benefits as well as provider rate reductions would have on Medi-Cal patients.

Provider rate reductions will greatly impact OB/GYNs who have the highest percentage of participation of specialists in the Medi-Cal program according to the Medi-Cal Policy Institute. The provision of maternal and infant medical care has been shown to be cost-effective. For example, lack of prenatal care is a major factor associated with low birth weight, which leads to significant medical costs, disability, and infant mortality. According to the American College of Obstetricians and Gynecologists, it has been estimated that for every dollar spent on prenatal care, more than $3 are saved by improving infant health and reducing the costs of neonatal intensive care.

CHRONICALLY ILL CHILDREN

Also impacted by Medi-Cal provider rate reductions will be the state's sickest and most vulnerable children in the California Children's Services (CCS) program and the pediatric specialists who provide their care. The CCS program provides access to critical and life saving health care services for children with conditions such as cancer, hemophilia, HIV and severe birth defects. Currently, fifty-five to seventy-five percent of the children seen by pediatric specialists located at special care centers are on Medi-Cal and/or CCS. Wait times for appointments in pediatric cardiology are up to **five months for children in Sacramento, six months for children in Oakland** for Gastroenterology and **four months in Los Angeles** in neurology for patients with apparent brain disorders. Any cuts to provider rates would directly impact wait times and force many parents to seek emergency services adding an undue burden on an already financially strained emergency services system.

FAMILY PLANNING

According to the Planned Parenthood Affiliates of California, for a savings to the state of $4.5 million due to a 15% provider rate reduction, the following impact will be felt:

- Family Planning clinics throughout California will lose an estimated $45 million in federal funding.
- The cuts will prevent the Family PACT program, which provides comprehensive family planning services including contraception, STD testing, pregnancy testing and counseling from serving an estimated 196,000 clients per year.
- According to a report by the Department of Health Services, for every $1 spent on family planning, an estimated $4.48 is saved in future medical and social service costs through the prevention of unintended pregnancies, totaling an estimated future cost of more than $156 million due to the proposed cuts.

CHIROPRACTIC CARE

If the state eliminates chiropractic services, Medi-Cal enrollees will continue to receive care at a significantly higher cost to the state's beleaguered budget. According to California Department of Health Services, the average payment per claim to a chiropractor under Medi-Cal was $23.47 in 2001. If the Medi-Cal recipient went to a county hospital on an outpatient basis for one of the conditions a chiropractor can treat, the cost averaged $80.37. Elimination of chiropractic care will only limit the patient's choice of health care provider. It will not eliminate the service provided nor save California money.

MEDICAL SUPPLIES

According to the California Association of Medical Product Supplies, if medical supplies are eliminated, Medi-Cal patients will still require medical supplies and will access them through higher cost alternatives such as acute type settings, thus increasing the cost of care to the state taxpayers. Medical supplies include disposable items used to treat or monitor the patient's chronic condition such as catheters, wound care, diabetic tests strips, urological supplies etc.

A case example of how these cuts would affect diabetic patients:

- For diabetic patients, blood glucose monitors, testing strips, lancets, syringes and in some cases insulin pumps are necessary for effective blood glucose management. Without these supplies people with diabetes cannot manage their blood glucose levels or their disease.
- Poorly managed diabetes is the leading cause of end stage renal failure, new cases of blindness among adults, amputation of the lower extremities, heart disease and stroke. Diabetes also causes complications of pregnancy, dental disease, nervous system disease, increased susceptibility to illness and biochemical imbalances that can cause acute life-threatening events.
- Eliminating optometry and podiatry services will intensify the degree of diabetes-related medical complications. The quality of care received by patients with conditions such as diabetic retinopathy or lower extremity circulatory problems will be greatly compromised.
- Multiple scientific studies have shown that patients with diabetes who can self-manage their blood glucose levels reduce their risk for disease-related complications by as much as 70 percent.

LONG TERM CARE

While the proposed 15% Medi-Cal rate cut would save the state $260 million per year in LTC, it would also forfeit another $260 million per year in federal matching funds. A $520 million Medi-Cal cut would trigger widespread staffing reductions, admission bans, bankruptcies and facility closures. Two thirds of the 250,000 residents in California long-term care facilities qualify for Medi-Cal benefits. Many of these patients would no longer have access to the hands-on care necessary to ensure their basic well-being. Recovering patients would take longer to heal – some would not heal at all. Terminal patients would be denied comfort in their final days. Thousands of current patients would be involuntarily relocated and future patients would find care unavailable in their community. Displaced patients will end up staying longer in more costly acute care hospitals and returning to an emergency room for more frequent follow-up care. Instead of saving money, the LTC rate cut will actually cost Medi-Cal exponentially more in the long run.

DURABLE MEDICAL EQUIPMENT

Durable medical equipment (DME) includes ambulation aides like walkers or wheelchairs and respiratory equipment including ventilators and home respiratory equipment such as oxygen cylinders or concentrators; equipment that allows the patient to rehabilitate or live in their home or a non-acute care facility at a cost savings to the state.

OPTOMETRY

Eliminating optometry as a benefit would have dire repercussions on the Medi-Cal population. Without access to vision and medical eye care, many individuals will be unable to function normally; their ability to drive, read and carry out everyday activities may be seriously compromised.

Most eye examinations provided to Medi-Cal beneficiaries by optometrists are for medical conditions, not routine eye examinations for refraction. Patients with serious medical eye conditions, such as glaucoma, will be in danger of losing their sight. Furthermore, eliminating optometry services will intensify the degree of diabetes-related medical complications. Individuals with diabetes must have access to annual dilated eye examinations to avoid vision loss due to diabetic retinopathy, a potentially blinding complication of diabetes that damages the tiny blood vessels in the retina, affecting half of all Americans diagnosed with diabetes. With timely treatment, 90 percent of those with advanced diabetic retinopathy can be saved from going blind.

In many rural areas, optometrists are the only eye care providers available. Many Medi-Cal patients may not have the ability to travel to other areas to receive eye care—and would eventually be forced to seek more costly emergency care, which would dramatically increase costs for the state of California.

PSYCHOLOGY

The Department of Finance only estimates a savings of $290,000 in state funds for cutting psychological services. The total figure attributed for these services in 2001-02 was $4.3 million in state general funds and the estimate for 2002-03 is $4.5 million state general funds. Patients of psychologists, similarly to all patients who currently receive services through Medi-Cal optional benefits, will be worse off without the proper care, which could result in the need for more expensive care in the near future.

"I have a Medi-Cal client I am seeing twice a week who was previously hospitalized and then in a partial hospitalization program for many weeks. She is now preparing to take classes to complete a degree and ultimately return to the workforce. If she were not able to see a psychologist, she would not be able to maintain her outpatient status or to continue with her plans to become more functional," Dr. Elizabeth Wheeler

"When patients do not receive behavioral care along with their psychotropic medication(s), I have observed that compliance with medication decreases markedly. Patients will receive very little assistance in how to deal with ongoing problems, which increases their stress levels. There is then a concomitant need for additional medication and/or an increased incidence of relapse. In San Diego, the problem of even being able to see a psychiatrist exists because there is a woeful shortage. I fear so many patients won't get ANY care. " Dr. Sallie Hildebrandt, CPA President-Elect, California Psychological Association.

NON-EMERGENCY MEDICAL TRANSPORT (NEMT)

- Patients affected by this cut will be those needing dialysis, cancer radiation and chemotherapy and who have produced state-approved medical evidence they are too sick, frail or disabled to ride in a bus or car to treatment.
- According to the California Medical Transportation Association (CMTA), every dollar "saved" by cutting NEMT rates now will cost $10 or more tomorrow.
- In a recent poll of CMTA members, most indicated that they would at least have to leave the Medi-Cal program to remain viable. Other companies whose caseloads are 80% Medi-Cal or more will be forced to close.

- If NEMT, via wheelchair & litter vans, is eliminated due to this rate reduction, Medi-Cal patients will still be entitled to transportation via ambulances – at a far greater cost. Further, if these patients do not receive their care in an outpatient manner, their condition will deteriorate until they require hospital emergency room and follow up impatient care.

HOME HEALTH CARE

According to the California Association of Health Services At Home (CAHSAH):

- Home Health and Shift Nursing (EPSDT)/Waiver programs are cost effective:

  Average hospital cost:
  $957 per day
  Shift nursing cost (hourly home care):
  $650/child $480/adult
  Home health and shift nursing saves:
  $307/child $477/adult
- A patient cannot participate in the program unless it costs less than it would to be in an institution.
- If Medi-Cal rates go down, providers will be forced to pay their nurses less in a severe nursing shortage.
- Cutting patients will result in loss of health care because many home health providers are the only providers in their community.

A December 9, 2002 survey by the California Association for Health Services at Home (CAHSAH) revealed 38.2 percent of home health agency providers will reduce current Medi-Cal case load if the provider rates are reduced by ten percent as proposed in Governor Davis' Mid-Year Spending Reduction Proposals.

- The thirty-four home health agencies responding to the survey serve 16,718 Medi-Cal patients combined.
- The average potential caseload reduction reported by survey respondents was 46 percent.
- 35% of respondents said that they would not accept any new Medi-Cal patients.
- If agencies anticipate reducing their Medi-Cal case load by an average of 46.3 percent, this is an average of 7,690 patients losing home health agency services

ADULT DAY HEALTH CARE (ADHC) PROGRAMS:

The total ADHC savings attributed to a 15% provider rate cut is $23.4M annualized.

- The cost of caring for a person in ADHC for a day is $68.57. The cost for a person staying in a Skilled Nursing Facility is estimated at $110 daily.
- If 14, or 5% pf ADHC centers in California, closed due to the proposed 15% Medi-Cal reduction 50% of the clients would be forced into Skilled Nursing Facilities negating the estimated savings. This calculation included an average center enrollment of 100 participants.
- According to a survey conducted by ADHC, of 45 centers that responded, 15 said they would have to close if a 10% rate cut is enacted.

OCCUPATIONAL THERAPY

Licensed Occupational Therapists and Occupational Therapy Assistants work with disabled adults and children to regain, develop, and build skills essential for independent living and

participation in school and work. Californians depend on occupational therapy for skilled rehabilitative services: to restore lost physical, cognitive, and perceptual function; to learn to compensate for lost function via adaptive equipment; to modify the home, school, and work environment, and to train paid and family caregivers.

Elimination of occupational therapy as an optional benefit would prevent Californians with stroke, spinal cord injuries, traumatic brain injuries, cancer, congenital conditions, developmental problems, and mental illness, from gaining appropriate skills and tools for independent functioning (including modified wheelchairs, modified work stations, hand and wrist splints, and adaptive equipment for independent bathing and toileting).

Occupational therapy is cost-effective because it forestalls premature institutionalization. Eliminating occupational therapy and the durable medical equipment that enables people to remain at home will drive Medi-Cal recipients into long-term care, at much greater cost to the state of California.

ADULT DENTAL CARE

The Surgeon General's Report on Oral Health in America states that ignoring oral health can lead to needless pain and suffering, causing devastating complications to an individual's well-being with financial and social costs that significantly diminish the quality of life and burden American society.

Elimination in benefits will result in additional costs to the health care system in physician visits: increased, costly and often non-definitive emergency room visits, and complications related to the interrelationship of oral health and the health of the entire body.

A Maryland study indicates that elimination of adult Medicaid increased ER visits to hospitals from 12-22%. A conservative estimate indicates extractions performed in emergency rooms are approximately ten times higher than extractions performed in a dental office.

The burden of oral disease restricts activities in school, work and home and significantly diminishes the quality of life. 2.5 million workdays are lost as a result of acute dental conditions, with 4.6 million bed days and 9.7 million days of restricted activity.

Clinics would face even greater challenges in providing dental care if adult dental services were cut.

For the United Indian Health Service (UIHS) serving 9 tribes in Humboldt and Del Norte Counties the waiting list for dental appointments in the Humboldt County clinic is 2,250; the Del Norte clinic is 1,000 and the waiting time for both is 1 1/2 years. UIHS is one of the largest programs.

Other Indian Health Clinics will suffer as well:

- Several satellite dental clinics in rural areas could close. The Mariposa, Amador, Calaveras and Tuolumne County clinics are at greatest risk of closure. These dental clinics provided dental care to over 3,000 patients last year. Of that amount, over 60% are non-Indians who would have nowhere else to go.
- Dental programs would be scaled back at the larger clinics, laying off dentists and staff and thus increasing the waiting time for care.

- Foremost, diabetic patients are currently required to have a dental check up once a year. Without adult dental, those patients run the risk of infection/excessive bleeding problems that would in turn impact the emergency rooms.

In general, clinics will suffer great losses in revenue and end up on the brink of closure, not to mention the long-term effects the loss of dental care will have on patients with severe dental problems:

"In our clinic, we see 600-800 users per year, with one dentist. Our service area includes 8,000 income eligible people, but we are unable to find another dentist. At least half of our patients are adults, and if we eliminate the adult services, many parents won't bring in their children for care. If all of these adults switch to sliding fee scale, our entire program would be jeopardized, and dental services to the medically indigent would be lost"-Janet Lasick at Northeastern Rural Health Clinics, Susanville.

"Recent analysis of our dental clinic data shows that adults account for about two-thirds (67%) of our Medi-Cal dental visits and revenue…Without dental revenue, 40% of our overhead expenses will go unmet, which could well force us to cease operations entirely, ending our safety net role as the sole source of health care in our 908 square mile district," Ray Hamby, Executive Director of Hill Country Community clinic in Round Mountain, Shasta County.

PHARMACY

In the 2002-2003 budget, pharmacies stood alone by having their reimbursement reduced by a cumulative $49.9 million in General Fund dollars. Pharmacy has repeatedly shouldered the burden of budget cuts in previous years, and have willingly accepted costly public health improvement programs, such as the inclusion of pharmacists in the eight-hour workday and funding the only state Medicare drug discount program in the nation. These programs were tied to a partial restoration of Medi-Cal fees, which subsequently has been eliminated without relief from the costs imposed by the programs.

Because the majority of the 2002-2003 budget reductions have only this month been paid out to pharmacies, pharmacies across the state are reeling from the loss in revenue in Medi-Cal and the concomitant loss in payments by Medicare eligibles. Many are reconsidering their ability to continue participating in the program as a result of the reductions that were effective in January.

The average margin of profit for pharmacies is around 2-3%. The 10% reduction in Medi-Cal will only result in pharmacies either dropping from the Medi-Cal program or going out of business entirely especially if they are located in areas that offer no other base of patient. Pharmacies serving long term care and home health patients will suffer even further as their cost of doing business is substantially higher than community pharmacy. And, as with community pharmacies, they have no alternative for backfilling these reductions. *Either scenario above will eliminate the senior discount drug program and will force patients to go to hospitals for medications or to go without medications entirely.* Obviously, these high-cost consequences would be further damaging to the state budget in increased emergency room visits and hospital use from patients not taking needed medications.

Additionally, people with hemophilia often receive infusion pharmacy services in the home setting for their chronic disease management. People with hemophilia suffer bleeds into internal organs, the central nervous system, and into joints causing severe pain and crippling. Without this important pharmacy service, patients often end up missing work and being hospitalized at a

huge cost to the Medi-Cal program. Home infusion pharmacy is cost-effective for the state because providing these services in the home setting keeps chronically ill patients out of expensive hospitals and hospital emergency rooms. Prompt treatment at the onset of a bleed in the home setting further reduces the chance of joint damage alleviating the need for expensive joint replacements.

In conclusion, the proposal to cut provider reimbursements will impede the ability of the Medi-Cal fee-for-service population to receive prescription drugs. This is the most cost-effective form of health care and a core function of the health care delivery system. At the same time, if business growth in the state is the key to economic recovery, this proposal decimates "Main Street's" ability to participate in it.

CONCLUSION – THE FACES OF MEDI-CAL

As we move forward to try and remedy the biggest budget deficit in California's history, we must remember that the budget cuts are not just numbers. Medi-Cal cuts will not only affect California's economy but will cause real harm and pain, even death, to real people. The culmination of the perfect storm in health care will not only reduce and jeopardize the lives of the most vulnerable, but all Californians, insured or not.

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