

Health care coalition jockeys over Medi-Cal spending, eyes ballot initiative

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Influential health care interests are jockeying over a potential infusion of \$19.4 billion into Medi-Cal, California's Medicaid program, while also angling for a 2024 ballot initiative to permanently lock in that funding,

California Healthline has learned.

The Coalition to Protect Access to Care, which includes groups representing doctors, hospitals, [insurance companies](#), and clinics, is lobbying Gov. Gavin Newsom and his fellow Democratic lawmakers on allocating proceeds from a tax on health insurance companies. The governor earlier this month proposed to spend nearly \$820 million from renewing the Managed Care Organization, or MCO, tax to boost Medi-Cal reimbursement rates and divert \$8.3 billion to the state general fund, leaving \$10.3 billion up for grabs.

Each sector has its own idea of how that money should be spent, even as the [health care industry](#) presents a unified front, according to interviews with hospital leaders, health insurance executives, doctor groups, and community clinics. The coalition also wants to cement higher Medi-Cal funding into the state constitution, potentially through a ballot initiative in November 2024.

"We are actively exploring a plan to provide permanent and predictable funding, and stability, in the [health care](#) system," said Dustin Corcoran, CEO of the California Medical Association, who confirmed talks with other industry groups and health care advocates about an initiative.

Medi-Cal, a massive safety-net program, has long failed to deliver timely, comprehensive health care and adequately meet the needs of 15.8 million low-income and disabled Californians who depend on it. Hospitals, clinics, and other [health care providers](#) say reimbursement rates fall short of the cost of their services.

"Health care has eluded patients for a long time," Corcoran said. "This is absolutely a generational opportunity to improve Medi-Cal and ensure that patients can access care whenever they need it."

California is among more than a dozen states that levy taxes on managed care organizations, a type of health plan, to draw in extra federal health care money for Medicaid. California adopted the tax back in 2005 and it has been renewed five times, according to state Department of Finance spokesperson H.D. Palmer. The last version, which expired in December, generated \$2 billion annually.

However, the tax revenue has never been dedicated for new initiatives in Medi-Cal and Newsom wants to change that, such as by paying providers higher rates for primary care, mental health and addiction treatment, and maternity care.

While health groups and lawmakers agree on propping up Medi-Cal and raising reimbursement rates, various sectors of the health industry are positioning themselves to benefit from the portion still up for grabs. Hospitals say they are especially deserving of a large share of the \$10.3 billion in revenue but have not indicated how they want the money distributed.

"It's not that every other player isn't important," said Carmela Coyle, the president and CEO of the California Hospital Association, which is lobbying Newsom and lawmakers for a broad bailout even though not all hospitals need help. "But we did take the lion's share of the hit during COVID."

Corcoran, of the California Medical Association, which represents doctors, contends that all providers who serve Medi-Cal patients should benefit, not just one type. "The tax has to deal with the entire ecosystem of health care," he said. "You can't just focus on a particular part of it."

Insurers say they are still mulling over support of the tax, arguing it should benefit all Medi-Cal patients. In California, [health insurance companies](#) agreed to be taxed by the government, which brings in extra

federal dollars to plug holes in Medi-Cal. Health insurers don't get the money back directly. Instead, the money is spread across the entire [health care system](#).

"We don't just run around supporting new taxes. It's not an easy decision," said Charles Bacchi, the president and CEO of the California Association of Health Plans, which represents public and private insurers in the state. "For the health plans that have to add this tax to their premiums, it needs to be affordable for our customers."

Newsom and lawmakers are hoping to agree on the tax by the June 15 budget deadline. However, negotiations on how to spend the money could continue well into summer and perhaps even next year.

Newsom wants to levy the tax through 2026 and spend the money over an eight- to 10-year period. But health providers and consumer advocates want it spent over roughly three years. The Newsom administration argues that stretching the money over 10 years protects against potential federal health care rule changes that could result in less revenue for California.

"We've spread those dollars out for a long period of time to provide sustainability and longer-term fiscal certainty to our providers," Michelle Baass, director of the state Department of Health Care Services, which administers Medi-Cal, told lawmakers last week.

Health industry groups, community clinics, and patient advocates are pushing back, arguing there is always federal uncertainty. They say Medi-Cal, which has undergone major expansions, including to cover unauthorized immigrants, needs an infusion of money now.

"We should invest today because the need is so high," said Francisco Silva, president and CEO of the California Primary Care Association,

which represents community clinics that overwhelmingly serve low-income patients.

Anthony Wright, executive director of Health Access California, is prodding industry groups and the administration to come up with a deal addressing disparities by targeting all the money to improve patient care and promote more equitable access to doctors.

"Frankly, your experience in the Medi-Cal program is really different around the state—county by county, plan by plan," Wright said, arguing investments must be made "in those areas where there are real problems."

Doctors and insurance industry leaders are arguing to use the \$10.3 billion for even higher Medi-Cal rates, and health plans say specifically there should be bigger rate increases for specialty care and loan forgiveness for doctors in underserved areas.

Community clinics, which offer one-stop care, want more payments that reimburse them each time a patient shows up for care rather than bundling them into one visit for one fee. And public hospitals are eyeing the revenue to offset their projected losses from caring for a disproportionate share of low-income people. The Newsom administration wants to raise Medi-Cal rates for hospital emergency room and outpatient visits, Baass told lawmakers.

If [health](#) interests can strike an agreement, it's an opportunity for them to secure and direct billions in spending as they see fit. But the coalition could also splinter.

"It needs to be done in a way that's fair to everybody," said Democratic state Sen. John Laird of Santa Cruz, who sits on the budget committee. "The worry is that everybody wants a piece of it."

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