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# **NEWS RELEASE**

## **FOR IMMEDIATE RELEASE**

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## **California Hospitals File Ballot Initiative To Protect Medi-Cal Funding**

*Measure Will Ensure Hospital Fees, Matching Federal Dollars Are Used for Health Care Services*

**SACRAMENTO ( July 25, 2013)** — In a move aimed at ensuring that hospital funds intended to pay for care provided to low-income Californians are not diverted by lawmakers for other, non-hospital patient care purposes, the California Hospital Association (CHA) today filed ballot initiative language with the state Attorney General’s (AG) office.

The initiative, called the Medi-Cal Funding and Accountability Act of 2014, will prohibit the Legislature and the Administration from imposing a provider fee (tax) on hospitals unless the monies and matching federal funds are used to pay for hospital care provided to Medi-Cal patients, which include the elderly, the disabled and children. Since 2009, California hospitals have agreed to pay the state nearly \$3 billion annually, with the monies then used by the state to draw down matching federal funds for the Medi-Cal program. As part of the agreement, hospitals have supported the state taking a small portion of the fee money to pay for health care for children. Since the inception of the program, however, the state has diverted some of the hospital fee money to the state’s General Fund for other purposes.

“For more than two decades, California has not appropriated the monies necessary to draw down the full amount of available federal matching funds for Medi-Cal payments to hospitals,” said CHA President/CEO C. Duane Dauner. “As a result, California has left billions of dollars in available federal funds on the table in Washington D.C. and significantly underpaid hospitals that provide life-saving care to Medi-Cal patients.

“ California hospitals stepped into this void in 2009 by agreeing to front the state’s share of the

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## CA HOSPITALS FILE BALLOT INITIATIVE TO PROTECT MEDI-CAL FUNDING

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monies necessary to garner the matching federal dollars,” Dauner added, “but the effectiveness of this effort is being undermined by the state’s continual redirection of increasing amounts of the hospital fee money into the General Fund.”

Currently, private hospitals in California pay \$3 billion a year to the state under the hospital fee program. The state is diverting \$620 million of the hospital fee money (prior to qualifying for federal matching funds) into the General Fund in the 2013-2014 budget year. This “rake-off” of the hospital fee money is being used to offset budget deficits rather than being used by hospitals to provide care to patients. The remaining dollars (after the rake-off) are then used to draw down federal Medicaid matching funds. The combined hospital and federal monies are redistributed to private hospitals in the form of supplemental Medi-Cal payments. This program does not cover all of the losses hospitals incur from the Medi-Cal program, since half of the money is put up by the hospitals themselves. Nevertheless, the fee program does allow the state to bring in additional federal funds.

California’s Medi-Cal program ranks last in the nation when it comes to funding health care for Medicaid patients. In 2012, Medi-Cal underpaid California hospitals by more than \$5 billion. Medi-Cal payment shortfalls result in significant financial losses for hospitals, and force hospitals to shift these unpaid costs to private payers. The supplemental payments resulting from the hospital fee program help cover a portion of those losses.

According to Dauner, the only way to ensure that the fees contributed by hospitals are used for their intended purpose is through a voter-approved ballot initiative which prohibits the state from diverting the money for non-health care purposes.

“Unfortunately, it is too tempting for lawmakers on both sides of the aisle to dip into these funds as part of the budget process,” Dauner said. “These monies are intended to help cover the costs of caring for the state’s Medi-Cal patients and it’s only appropriate that safeguards are put in place to assure that’s how the funds are used.”

Once the AG’s office issues the measure’s “Title & Summary,” CHA will begin collecting signatures in order to qualify the initiative for the November 2014 ballot. Approximately 800,000 qualified signatures will be needed to place the measure before voters.

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