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California Hospital Association Files Lawsuit To Halt Latest Medi-Cal Payment Cuts

Injunction Sought to Invalidate “Mega” Rate Cuts to Hospital-Based Skilled Nursing Units

SACRAMENTO (November 2, 2011) – Declaring that reduced Medi-Cal provider payments will likely have “an unprecedented adverse impact on California hospitals and the Medi-Cal program as a whole,” the California Hospital Association (CHA) has filed a lawsuit seeking to halt the implementation of the rate cuts approved last week by the federal Centers for Medicare and Medicaid Services (CMS).

The lawsuit, filed late Tuesday in federal court in Los Angeles, asserts that the rate reductions violate federal Medicaid law requiring that payments “...are sufficient to enlist enough providers so that care and services are available under the (state’s Medicaid) plan at least to the extent that such care and services are available to the general public...” 42 U.S.C. §1396a(a)(30)(A).

“The filing of this lawsuit is a regrettable, but necessary step to protect access to care for California’s most vulnerable patients,” said CHA President/CEO C. Duane Dauner. “Federal officials were provided with compelling evidence demonstrating the negative impacts these cuts will have. Unfortunately, CMS turned a blind eye to these concerns and allowed state officials to move forward with these rate reductions, all in the name of addressing the state’s budget problems. California’s hospitals cannot stand by and allow these cuts to take effect.”

Of particular concern to California hospitals is the rate cut that will be imposed on distinct-part skilled nursing facilities (DP/NF) within acute care hospitals. These units often care for patients with complex medical needs or those who require specialized services not available in freestanding nursing homes. More than 10 percent of California’s skilled nursing beds are located within acute care hospitals.

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While the cuts have been portrayed as a 10 percent payment reduction, in fact the cuts may be significantly higher because they are based on the payment rates in effect during FY 2008-2009. In most cases, the payment cuts will exceed 20 percent, according to the lawsuit.

Dauner noted that cuts of this magnitude will have a “devastating effect” on access to care.

In a recent survey of CHA member hospitals, 63 percent of responding facilities indicated that they will reduce beds or close their DP/NF units if these cuts take effect, while 45 percent indicated that they would change their admission practices by limiting the types of patients or conditions for which they are able to provide care.

The lawsuit seeks both a preliminary and permanent injunction, preventing the payment cuts from ever taking effect.

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CHA, based in Sacramento, is the statewide leader representing the interests of more than 450 hospitals and health systems in California.