



TERRA LAWSON-REMER

**SUPERVISOR, THIRD DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS**

AGENDA ITEM

DATE: March 12, 2024

13

TO: Board of Supervisors

SUBJECT

INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS (DISTRICTS: ALL)

OVERVIEW

In a time when access to quality healthcare has never been more crucial, the California Medicaid program, also known as Medi-Cal, stands as a vital lifeline for some of our county's most vulnerable community members. The program's unwavering commitment to ensuring that no one is left behind in the pursuit of healthcare has never been more significant. In San Diego County, nearly one million individuals, including approximately 325,000 children, rely on this program as a vital support system to safeguard their health and well-being.

However, the stark reality is that there are challenges that need our immediate attention to make the paper promise of healthcare coverage a reality for Medi-Cal recipients in our county. We must deliver on its pledge and ensure that access to healthcare is not a privilege limited by circumstances, but a fundamental right upheld for all.

The critical issue of addressing Medi-Cal reimbursement rates must be centered as we secure healthcare access for Medicaid recipients. Historically, California has ranked near the bottom in the United States when it comes to Medicaid reimbursement rates. Extensive research underscores the adverse consequences of these low rates, which can lead to restricted access to quality healthcare and poorer outcomes for Medicaid beneficiaries. Civil rights advocates and attorneys contend that these excessively low reimbursement rates are not just problematic but discriminatory, constituting a substantial racial justice issue.

Scarcity of providers willing to accept these low reimbursement rates result in delayed and inadequate care, perpetuating the cycle of health disparities. The present reimbursement rates exert an unsustainable level of pressure on healthcare providers, rendering the entire Medicaid system precarious. According to the American Hospital Association, hospitals received payments equivalent to only 88 cents for every dollar spent on Medicaid patients in 2020, resulting in an underpayment of totaling nearly \$25 billion. Achieving pay equity in healthcare is a pivotal step toward advancing health equity, ensuring that every individual has a fair and just opportunity to

**SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE
HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS**

achieve optimal health. Augmented reimbursement rates have the potential to attract more providers to clinics and practices serving Medi-Cal beneficiaries but also ensure that they deliver high-quality care.

The issue of low Medicaid reimbursement rates significantly impacts the financial sustainability of healthcare institutions, and the number of health care practices that care for patients with Medicaid insurance, thus decreasing access to care for Medi-Cal beneficiaries. When healthcare providers are inadequately compensated for the services they render to Medicaid beneficiaries, the entire healthcare systems bear the brunt of the financial strain. As a result, they are forced to make difficult decisions, including downsizing, or limiting their services, creating an environment that is less conducive to attracting and retaining healthcare professionals. These organizations, grappling with tight budgets due to inadequate Medicaid reimbursement, find it challenging to offer competitive salaries and benefits that attract and retain healthcare staff.

Furthermore, the strain placed on healthcare providers can lead to increased workloads, burnout, and high turnover among existing staff. In an environment characterized by understaffing and an increased demand for healthcare services, healthcare professionals are often stretched thin, leading to fatigue and decreased job satisfaction. Consequently, this challenging work environment becomes less attractive to potential recruits and exacerbates the shortage. This interconnection between low Medicaid reimbursement rates and the healthcare workforce shortage are felt most acutely by Medicaid beneficiaries, who are often among the most vulnerable and underserved populations. With fewer healthcare professionals available to provide care, access to essential medical services becomes increasingly limited. This restricted access not only hampers the quality of care but also leads to delays in medical treatment, exacerbating health disparities within these communities. These delays can lead to worsening chronic conditions, complications, decreased quality of life, and contribute to health conditions that become emergent. This ultimately stresses the capacities of our local emergency departments.

San Diego County is currently facing a severe healthcare workforce shortage, compounded by challenges related to low Medicaid reimbursement rates. This crisis not only strains healthcare providers but also impacts access to essential health coverage provided to Medi-Cal beneficiaries.

Recognizing the urgency and complexity of these interconnected issues, today's board action is taking a significant step forward in finding comprehensive solutions that encompass low Medi-Cal reimbursement rates and ultimately improve essential health coverage for Medi-Cal recipients. California has taken a pioneering role in introducing progressive policies that extend Medi-Cal access to historically underserved populations. The challenges faced by healthcare workers, providers, and recipients in San Diego County are multifaced, but today's action signifies a robust commitment to ensuring that our paper promise of healthcare is a reality for all in our county.

RECOMMENDATION(S)

SUPERVISOR TERRA LAWSON-REMER

1. Direct the Interim Chief Administrative Officer to conduct an analysis of Medi-Cal reimbursable services provided by the County of San Diego, to increase revenue and reimbursement opportunities for those services, in order to enhance access to and quality of care for residents of San Diego County. This includes but is not limited to:

SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS

- a. Identifying strategies to leverage existing expenditures/resources through intergovernmental transfers (IGTs) and other mechanisms to obtain Medicaid matching funds; and
 - b. Assessing what is being done in other California jurisdictions and/or nationally to optimize Medicaid revenue and reimbursement for services provided by counties; and
 - c. Evaluating new or additional sources of funding that could be available to the County to increase Medi-Cal reimbursement; and
 - d. Exploring other possible strategies and opportunities to increase Medi-Cal reimbursement to improve access to and quality of healthcare to further these goals.
2. Direct the Interim Chief Administrative Officer to explore opportunities to increase Medi-Cal reimbursement to providers in the San Diego region. This includes but is not limited to:
 - a. Convening county staff, healthcare professionals, hospitals, FQHCs, labor organizations, healthcare workers, consumer advocacy organizations, state and local government leaders, and community-based organizations; and
 - b. Assessing what is being done in other California jurisdictions to enhance reimbursement rates and incentivize providers to expand access to Medi-Cal services in San Diego County; and
 - c. Engaging California Department of Health Care Services (DHCS) and Centers for Medicare and Medicaid Services (CMS) to seek partnership and approval on initiatives to increase Medicaid reimbursement rates in San Diego County; and
 - d. Exploring other possible strategies and opportunities available through Medi-Cal Transformation to increase Medi-Cal reimbursement rates to further these goals.
3. Direct the Interim Chief Administrative Officer in collaboration with the Behavioral Health Services Director, to offer updates to the ad hoc subcommittee on State and Federal policy germane to integrate behavioral and physical health, along with successful models of value-based purchasing and risk and incentive driven care management under capitation, noting that such updates do not involve County of San Diego mental health plan specific actions. Of note is the fact that Behavioral Health Services (BHS) statutorily operates as the County's Mental Health Plan (MHP). Owing to the fact that County's MHP is in the midst of behavioral health payment reform inclusive of rate setting and provider-specific negotiations, the BHS Director in consultation with county counsel will not share any information to the ad hoc subcommittee that would generate a conflict of interest.
4. Direct the Interim Chief Administrative Officer to return to the Board at the end of the calendar year with a progress report, findings, and recommendations addressing low Medi-Cal reimbursement rates including all the elements enumerated above after having first met with the Board ad hoc subcommittee for input.
5. Direct the Interim Chief Administrative Officer to add to the County's 2024 Legislative Program, Priority Issues, support for legislation and administrative actions that will lead to increased Medicaid reimbursement rates for California, as well as engage in ongoing conversations at the State and Federal level to ensure the Medi-Cal recipients in San Diego County have access to a robust and adequately funded system of care, including

**SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE
HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS**

but not limited the bringing down the cost of critical prescription medications, especially those on Medicaid and Medicare.

6. Establish an ad hoc subcommittee of this Board and appoint Supervisor Terra Lawson-Remer and Supervisor Monica Montgomery Steppe for the following purposes, including but not limited to:
 - a. Receive and review the information gathered by and provide input to the Interim Chief Administrative Officer on the strategies and opportunities identified through the work outlined in Recommendations 1 for increasing Medicaid reimbursement rates and for obtaining new or additional sources of funding to increase Medi-Cal reimbursement; and
 - b. Provide input regarding the feedback obtained from those stakeholders contacted in 2(a); and
 - c. Provide input regarding the updates received in recommendation 3; and
 - d. Provide input to the Interim Chief Administrative Officer on the development of the progress report, findings, and recommendations to be submitted to the Board, and upon presentation of the final report, findings, and recommendations to the Board by the Interim Chief Administrative Officer, the ad hoc subcommittee will be concluded.
 - e. The scope of activities of this ad hoc subcommittee pertains only to policy matters and should in no way be construed as including or concerning the negotiations of specific contracts or specific contract terms.

EQUITY IMPACT STATEMENT

Individuals receiving Medicaid face significant equity challenges that impact their access, quality of care, and health outcomes. The current disparities in Medicaid reimbursement rates contribute to differential access to quality healthcare services, disproportionately affecting BIPOC communities. The impact of low reimbursement rates extends beyond the immediate challenges in accessing quality healthcare. It perpetuates systemic disparities in health outcomes, exacerbating existing inequalities among different demographic groups. Moreover, the racial bias in reimbursement rates has implications for healthcare workforce. BIPOC healthcare professionals are often concentrated in facilities serving Medicaid beneficiaries, facing challenges of working in under-resourced environments. This not only hampers their ability to provide optimal care but also contributes to workforce disparities, further entrenching racial inequities within the healthcare system. Recognizing the intersectionality of race, socioeconomic status, and health outcomes is essential to fostering a healthcare system that is truly inclusive and just.

SUSTAINABILITY IMPACT STATEMENT

The proposed item contributes to the County of San Diego's Sustainability Goals by prioritizing the long-term health, safety, and well-being for San Diego residents through the support for actions that will get quality healthcare services to those that need it most.

FISCAL IMPACT

Recommendation 1

**SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE
HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS**

Funds for this request are partially included in the Fiscal Year (FY) 2023-25 Operational Plan in the Health and Human Services Agency. If approved, recommendation 1 is estimated to result in one-time costs of approximately \$1 million dollars, which includes funding for multiple consultant agreements to assess strategies and opportunities to optimize Medi-Cal revenue received for services provided by the County. This recommendation aligns with existing efforts underway by County staff funded with a one-time award of \$555,000 of Providing Access and Transforming Health (PATH) Capacity and Infrastructure Transition Expansion and Development (CITED) grant funds for an assessment of Medi-Cal Transformation Enhanced Care Management and Community Supports Readiness and Infrastructure Assessment and \$250,000 of General Purpose Revenue allocated for a Medi-Cal billing capacity assessment. It is estimated that an additional \$200,000 would be needed for additional work requested as part of recommendation 1. That amount can be absorbed into available FY 2023-24 Operational Plan spending authority; the funding source will be one-time General Purpose Revenue. Approving these recommendations will reduce operating results by \$200,000, which would otherwise replenish the General Fund Reserve. There will be no additional staff years. There may be future fiscal impacts associated with future related recommendations, which staff would bring back to the Board for consideration and approval.

Recommendation 2

If approved, recommendation 2 is estimated to result in initial one-time costs of approximately \$500,000 to begin the work, which includes funding for consultant services to support the broader regional assessment requested as part of recommendation 2. That amount can be absorbed into available FY 2023-24 Operational Plan spending authority; the funding source will be one-time General Purpose Revenue. Approving these recommendations will reduce operating results by \$500,000, which would otherwise replenish the General Fund Reserve; together with Recommendation 1, the total potential impact to the replenishment of the General Fund Reserve is estimated to be \$700,000. There will be no additional staff years. If additional appropriations are needed for this effort, recommendations will be included in the progress updates to the Board, and staff would bring back to the Board for consideration and approval as needed.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

Medicaid, known as Medi-Cal in California, is a vital government program that provides healthcare coverage to low-income individuals and families throughout the state. It is jointly funded by the federal and state governments and plays a crucial role in ensuring access to healthcare services for nearly a million people in San Diego County. Medi-Cal offers a wide range of health and social services, including doctor visits, hospital care, prescription drugs, and preventive care, making it a cornerstone of the state's healthcare system. San Diego County's Medi-Cal eligible population has doubled in the last decade to approximately 30% of the County's total residents. We continue to see Medi-Cal spending across California budget grow.

**SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE
HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS**

San Diego County has the second most Medi-Cal eligible residents in the state. Due to its size, San Diego plays an important part of the interconnected California health care system, but its safety net is underfunded, particularly as compared to other California counties with similarly sized Medi-Cal population. Unlike much of California, historically, San Diego County has relied on the private safety net since there are no large county-owned public providers or health plans. However, much of the State's funding for safety nets is focused on public payers and providers. Given significant growth in San Diego's Medi-Cal population combined with new State Medi-Cal priorities, an opportunity exists to create unique funding solutions for the County, followed in the path of other large Medi-Cal counties in California.

California's Department of Health Care Services (DHCS) is focused on Medi-Cal Transformation, formerly known as CalAIM, which is designed to advance equity, provide comprehensive care and services to the hardest to reach populations, and incentivize managed care plans to be accountable for these goals. However, these goals can't be met without further engagement from the private safety net in San Diego County as well as opportunities which strengthen healthcare workforce.

San Diego County has been grappling with a significant healthcare workforce shortage. This shortage encompasses a range of healthcare professionals. The shortage can be attributed to several factors, including the aging population, the increased prevalence of chronic diseases, and the growing demand for healthcare services. Additionally, the COVID-19 pandemic has further exacerbated the shortage, as healthcare workers faced unprecedented challenges and burnout during the crisis. The shortage of healthcare professional has implications for access to care, quality of care, and the overall healthcare system's capacity. Patients may experience longer wait times, limited choices of healthcare providers, and increased difficulty accessing care. The shortage also places added stress on the existing healthcare workforce, potentially leading to fatigue and reduced quality of care.

Low Medicaid reimbursement rates are significant challenge in California, as they are in many other states. Medicaid programs reimburse healthcare providers at rates lower than those of private insurance or Medicare. These lower reimbursement rates may discourage healthcare providers from accepting people with Medi-Cal, exacerbating the healthcare workforce shortage and limiting access to care for low-income individuals.

Healthcare providers often struggle to cover the costs of care for Medi-Cal patients due to these low reimbursement rates. This can result in a reluctance to accept Medicaid beneficiaries, making it harder for these individuals to find accessible healthcare services. Furthermore, it can contribute to healthcare disparities, as low-income populations are disproportionately affected by these reimbursement challenges.

Of note is that fact that Behavioral Health Services (BHS) statutorily operates as the County's Mental Health Plan (MHP). Owing to the fact that the County's MHP is in the midst of behavioral health payment reform driven by Medi-Cal Transformation, inclusive of rate setting and provider-specific negotiation, rate setting and reimbursement dynamics within the MHP will not be addressed in this action.

SUBJECT: INCREASING MEDI-CAL REIMBURSEMENT RATES TO IMPROVE
HEALTHCARE FOR NEARLY 1 MILLION SAN DIEGANS

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action to adopt the item to work to increase Medi-Cal reimbursement rates to supports the Sustainability, Equity, Empower, and Community Strategic Initiatives within the County of San Diego's 2024-2029 Strategic Plan by working to expand healthcare for nearly one million San Diegans.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Terra Lawson-Remer', with a stylized flourish at the end.

TERRA LAWSON-REMER
Supervisor, Third District

ATTACHMENT(S)
N/A