California Hospital Association

Every Californian Deserves Access to Equitable Health Care

The Issue

Medi-Cal provides health coverage to low-income Californians — one-third of the entire state and nearly half of all children — and those who rely on Medi-Cal coverage are disproportionately people of color (two-thirds are non-White).

But Medi-Cal enrollees are shortchanged: systemic underfunding means that those who care for Medi-Cal patients are reimbursed just 74 cents on the dollar for the cost of care. This results in fewer resources for care in California's most vulnerable communities. We will never make progress toward health equity in our state if Medi-Cal continues to underfund care for those with the greatest needs.

Systemic Medi-Cal underfunding results in inadequate resources and insufficient access to care for California's largely low-income and non-White communities — a significant factor in inequitable health outcomes and an untenable status quo if we value a just and healthy society.

Part of this structural imbalance is driven by a decade-old Medi-Cal fee-for-service inpatient reimbursement methodology that mandates budget neutrality. That methodology, which applies to nearly all hospitals (private and district) in California, has effectively "frozen" reimbursement at 2012-13 levels, while expenses for patient care — things like health care worker salaries and benefits, medical supplies, pharmaceuticals, utilities, and more — have increased by more than 45% during that time period.

And designated public hospitals use their own resources, instead of receiving state general funds, to provide care to Medi-Cal fee-for-service patients, resulting in reimbursement that only covers roughly half of the cost to care for hospitalized patients.

The gap between the have and have-nots when it comes to health care persists.

What's Needed

Policy changes to address these inequities are needed, including:

- Replacing the policy that froze hospital APR-DRG rates (a schedule of payments for common procedures) at 2012-13 levels
- New, annual payment adjustments that account for the social and environmental challenges patients may be experiencing
- Converting designated public hospitals' Medi-Cal fee-for-service inpatient reimbursement to a value-based structure that includes state General Fund support

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