

PAYERS & GOVERNMENT HEALTH PROGRAMS

Medicaid and Medi-Cal

Medicaid is a federal and state-run program intended to help underserved individuals and families gain access to health care that they would otherwise be unable to afford. Medicaid is overseen by the Centers for Medicare & Medicaid Services (CMS), with each state responsible for administering its own program within federal guidelines. This can create significant differences in coverage and eligibility criteria across states.

California's Medicaid Program: Medi-Cal

Medi-Cal, California's Medicaid program, has been a pillar of healthcare services for low-income individuals and families since its establishment in 1966. Over the years, it has evolved significantly to serve the diverse health care needs of Californians.

Eligibility for Medi-Cal is primarily determined by income and household size, keeping within federal poverty guidelines. California has made several changes to make the program more inclusive. For example, under the Affordable Care Act (ACA), California expanded Medi-Cal to cover low-income adults without dependent children. Additionally, Medi-Cal covers specific groups such as pregnant women, children, seniors, and people with disabilities. There are several ways to determine eligibility, such as using the Modified Adjusted Gross Income (MAGI) system or non-MAGI criteria that consider things like medical needs and disability status. For specific Medi-Cal eligibility criteria from the California Department of Health Care Services, click [here](#).

To ensure that its beneficiaries receive comprehensive health care, Medi-Cal provides a wide range of services. These services include preventive and primary care (e.g., routine check-ups, immunizations, and screenings), specialty care (e.g., cardiologists, oncologists, and neurologists), hospital and emergency services (covering inpatient and outpatient care, emergency room visits, and urgent care), mental health services (such as counseling, therapy, and psychiatric care), and dental and vision care (including routine dental check-ups, cleanings, and vision exams). Medi-Cal also offers a variety of managed care plans to provide coordinated and integrated care, which increases overall health outcomes and efficiency.

Medi-Cal is jointly funded by the federal government and the state of California. The federal government matches state spending using a formula known as the Federal Medical Assistance Percentage (FMAP). Medi-Cal beneficiaries usually have very little cost-sharing responsibilities, with most services provided at low or no cost to the individual. However, depending on income level and which Medi-Cal plan they are enrolled in, some beneficiaries may be required to provide small copayments for specific services.

Like many state Medicaid programs, Medi-Cal faces numerous challenges. One of the most important issues is provider participation. Due to lower reimbursement rates than private insurance, some providers are hesitant to accept Medi-Cal patients, resulting in decreased access to care. Additionally, potential beneficiaries may encounter obstacles to enrollment due to administrative complexity of eligibility verification processes.

California has implemented several reforms and initiatives for improvement. For example, the state's Medicaid Section 1115(a) waiver titled Medi-Cal 2020 aimed to improve care delivery and outcomes by implementing initiatives such as Whole Person Care (WPC) and the Dental Transformation Initiative. ¹ Beginning in 2024, Medi-Cal is undergoing large-scale transformations under a five-year California Advancing and Innovating Medi-Cal (CalAIM) program reform, which will include behavioral health integration, community support to address health-related social needs, state-managed long term care coordination, and new requirements for managed care plans. To review CalAIM initiatives, goals, timelines, and progress, visit the [California Department of Health Care Services CalAIM](#) webpage.

These programs aim to improve care integration, provider coordination, and specific areas such as dental care. California has taken an active approach to addressing social drivers of health through Medi-Cal. This approach aims to improve overall health outcomes while lowering health care costs in the long run.

› **Spotlight on Medi-Cal Payment for FQHCs and RHCs**

Medi-Cal is an essential program for supplying low-income individuals and families with health care services. Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) are critical components of California's health care system, providing essential services to underserved populations. FQHCs offer comprehensive services that play an important role in meeting the needs of California's diverse population, including those with complex health conditions. By serving rural areas, RHCs help to close the health care access gap for geographically isolated communities. ²

Medi-Cal reimburses FQHCs through a Prospective Payment System (PPS). This system was established by the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA). The PPS requires FQHCs to be paid a fixed, predetermined rate per patient visit, with the goal of covering the costs of a comprehensive set of services. The rate is adjusted for inflation each year and can be changed if the scope of services provided changes. ³

RHCs are also reimbursed through the PPS in California. RHCs can be either independent or provider-based, and reimbursement rates vary accordingly. Independent RHCs are paid a fixed all-inclusive rate for each qualifying visit, while provider-based RHCs, which are typically affiliated with hospitals, are reimbursed based on the hospital's cost report. The payment structure is designed to ensure that RHCs can continue to serve rural populations despite financial constraints. ⁴

One of the primary differences between FQHCs and RHCs is how their rates are established and adjusted. The rates of FQHCs are determined by past expenses, while the rates of RHCs can differ greatly based on whether they are provider-based or independent. This difference may result in funding disparities, potentially affecting the quality and scope of services provided. While both FQHCs and RHCs offer primary care, FQHCs must also provide dental, mental health, and substance abuse services. This broader scope may result in higher operational costs for FQHCs, requiring sufficient reimbursement rates to ensure service quality. ⁵

Medi-Cal reimbursement presents administrative challenges for both FQHCs and RHCs. The process of setting rates, making annual adjustments, and meeting reporting requirements can be time-consuming and complex. Smaller RHCs, in particular, may struggle with administrative costs that are impacting their financial viability.

The PPS seeks to provide financial stability to FQHCs and RHCs by providing established and adequate reimbursement. However, shifts in patient volume and changes in health care policies can impact their financial stability. Sufficient reimbursement rates are necessary to guarantee that FQHCs and RHCs can continue to offer accessible, high-quality care.

References

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- 2 National Association of Community Health Centers. (2020). The Importance of FQHCs in the Health Care System. Retrieved from <https://www.nachc.org>
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