



John Mendoza, Acting Division Chief
Fee-For-Service Rates Development Division
Department of Health Services
1501 Capitol Avenue, MS4600
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Re; Comments on the report entitled: Medi-Cal Further Rate Review of Access to Home Healthy Agency Services for 2001-2005.

Mr. Mendoza,

My agency opened in 1995 and did a tens of thousands of Medi-Cal home health visits during our first years few years in business. We likely provided more home health services to the Medi-Cal population than did any other free standing, privately owned agency in the greater Sacramento areas. We were highly regarded for our desire to care for the Medi-Cal population and extremely appreciated by discharge planners throughout the area for doing so since other agencies were not doing so due to the inadequate reimbursement rates.

Unfortunately, we soon realized that with the the inadequate reimbursement rates being paid by the Medi-Cal program and the ever rising cost of doing business (trying to be competitive with salaries, insurance, workers comp, and many other overhead costs) we could not remain in business much longer if we did not quickly change our business model and focus on Medicare and private insurance.

I am seriously concerned with the information in the study your department has produced. The information in the study not only fails to address the issue of access to care, it approaches an attempt to mislead with information that is irrelevant to the issue of access to care. The data presented also actually demonstrates the access problem!

The study starts by using data regarding the number of claims submitted during the study period. The number of claims in no way can be relied on to show any access information. The number of claims filed is not a reflection of services provided or access to care to home health; it is only a number that indicates how frequently an agency may have billed for services. To the credit of the Medi-Cal payment system (EDS at the time) the payment turnaround time was actually faster than most payers. Since the rates paid to the Medi-Cal Home Health providers during this period was completely insufficient to even recoup for the cost of providing the services that we did provide, many agencies such as ours, needed to bill more frequently to get what reimbursement we did get as fast as possible. Therefore the "claim lines" would increase only due to the more frequent billing that agencies submitted.



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The data that shows an increase in the number of Medicare & Medi-Cal providers is also misleading. When an agency applies to be a Medicare provider, which is the only real reason an agency will apply for those certifications, agencies will simply check both the Medicare and Medi-Cal boxes for the type of certification requested.

Since the process is the same for one or both, it makes sense to request both in case an agency does do a few Medi-Cal patients

Having said that, a home health agency could not remain in business providing more than a small amount of Medi-Cal home health services. The reimbursement simply does not come close to even covering the actual cost of delivering the service.

As for our agency, as do most agencies, we are able to accept only a modest amount of Medi-Cal home health referrals from the various referral sources such as hospital discharge planners, MD offices, SNIF's, etc.

We do this primarily to help the Medi-Cal population (at least in some small way) and the discharge planners with their case load in hopes that they will refer Medicare or other private insurance patients to us to help offset the losses from Medi-Cal services and to remain in business.

Common sense dictates that the less than \$75.00 rate for a Medi-Cal home health visit is a money loser for almost any agency. The equivalent average reimbursement rate for a Medicare "visit" or for most private insurance plans averages \$140.00 per "visit". Medicare Cost Report data places the average "Cost Per Visit" rate for home health agencies in California to be at around \$130.00 per visit!

The report also brings up the issue of Managed Care being responsible for their rate setting and alludes to that being greater than the Medi-Cal rates. Nothing could be farther from the facts. In the 20 years we have been in business, NO managed care contract EVER paid more than the "published Medi-Cal rates". If they ever did, it would have been on extremely rare occasion and for some very compelling reason! We have tried to negotiate for many years for a better rate from managed care without success. We simply could not provide services for their Medi-Cal patients at that rate. Adding insult to injury, managed care providers took longer to pay, were more difficult to work with and do everything in their power "not to pay a provider for services rendered"!

In closing, the most remarkable fact for our agency is the tens of thousands of referrals that are directed our over the years way by discharge planners trying to place Medi-Cal patients into home health. Of course, we cannot help them to any real extent. We know that those patients are not otherwise placed to another agency. We know that by the continued, relentless efforts by the discharge planners to ask more than once, even to the point of begging, to take a Medi-Cal patient. If we are at our maximum Medi-Cal capacity (which is very few) we simply cannot help.



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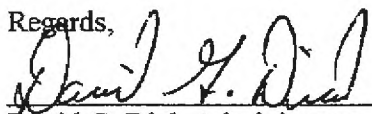
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It is also important to know that when we do take a Medi-Cal referral, that in reality, our Medicare and private insurance reimbursement is "subsidizing" the Medi-Cal program due to failure of the Medi-Cal program to even cover the actual costs of performing the services. This negatively affects the access to services for the Medi-Cal population.

Your departments "Rate Review" actually contradicts your assertion that access was "fine". Your data show at least a 30% (+) decline in access for the Medi-Cal beneficiaries compared to the Medicare beneficiaries! It also reveals that the decline was primarily driven by the insufficient rates paid by Medi-Cal. Medicare data shows the Medi-Cal rates to be more than 23% below the actual cost of delivering the services!

In reality, our agency has gone from providing tens of thousand of home health visits per year in our first years in business, to a fraction of that volume since being forced to refocus our business on Medicare and private insurance. Those patients were certainly NOT being absorbed by other agencies in the area since we were about the only agency that performed that high volume of Medi-Cal business. Thanks for your consideration of our comment and I encourage your Department to more seriously evaluate the access issue and the rates paid that have negatively influenced the Medi-Cal population from receiving the same access to care that those who have other insurance coverage enjoy.

Regards,



David G. Dial, Administrator