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**CALOPTIMA BUDGET SPARES PROVIDERS, FACILITIES AND
PATIENTS FROM STATE RATE CUTS AND CO-PAYMENTS**

Board Decision Keeps an Estimated \$75 Million in the Local Health Care System

ORANGE, Calif. (January 10, 2012) — CalOptima’s Board of Directors approved an operating budget that protects Orange County’s health care providers and low-income Medi-Cal members from the financial impact of California’s budget reductions and keeps an estimated \$75 million in the local health care system through June 2012.

For its FY 2011–12 Medi-Cal budget, which ends June 30, CalOptima will not reduce the payment rates of health care providers, nor will CalOptima apply co-payments to a variety of members’ services, such as office visits and hospital stays. The move has an estimated \$48 million impact on CalOptima revenue this fiscal year.

California received federal approval to implement a 10 percent cut in the reimbursement certain types of providers receive for treating Medi-Cal patients and to make a retroactive rate reduction dating back to FY 2008–09. However, California has not yet received approval to proceed with member co-payments, which could be as high as \$200 for a two-day hospital stay.

The state also received federal approval for a 10 percent cut in the rates for long-term care facilities, which CalOptima will not pass along. The state will cut facilities’ rates for the period of June 30, 2011, to July 31, 2012, and will then pay back the cuts by December 31, 2012. Because CalOptima understands the temporary cut would cause financial strain on facilities and could affect continuity of care, the Board voted to advance the funds to facilities from reserves with the understanding that CalOptima would be made whole when rates are restored. The cost of this action is about \$27 million.

“CalOptima is fortunate to benefit from our Board’s careful financial stewardship and from collaborative relationships with Orange County provider and consumer stakeholder groups,” said Richard Chambers, CalOptima CEO. “Both elements enabled CalOptima to make these decisions amid California’s debt crisis. As a public agency, CalOptima is committed to serving vulnerable Medi-Cal members and supporting the providers who care for them.”

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CalOptima held several meetings with groups representing health care providers, long-term care facilities and Medi-Cal members over the past several months to tackle concerns about the financial and medical impact of the Medi-Cal changes. The now-approved plan to not implement cuts and co-payments was paired with an agreement that CalOptima reduce its own administrative budget by \$2.2 million, which it has done. These efforts maximize revenue available for health care services.

“CalOptima’s decision is very positive for Orange County,” said Theodore Caliendo, M.D., a neonatologist and pediatrician in Mission Viejo, a board member of the CHOC Health Alliance, and a member of the CalOptima Provider Advisory Committee. “Physicians will be delighted that we can continue to give Medi-Cal patients good quality care. We can continue doing business as usual.”

CalOptima’s Medi-Cal budget that allows for this support to providers and members is in effect until July 1. In the meantime, CalOptima is examining the just-released California FY 2012–13 budget, which was introduced this past Thursday. It presents further challenges to Medi-Cal funding and makes other significant program changes.

About CalOptima

CalOptima is a county organized health system providing publicly funded health coverage programs for low-income families, seniors and people with disabilities in Orange County, Calif. CalOptima serves 422,000 members with a network of more than 5,800 primary care doctors and specialists, as well as 24 hospitals. CalOptima provides access to quality health care through three programs, including Medi-Cal, Healthy Families Program and OneCare (HMO SNP).

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