

**Michael Paget**

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**Subject:** Court Injunction to Stop Medi-Cal Rate Cut



**California Dialysis Council**

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**NEWS  
UPDATE**

## **Memorandum**

**TO:** CDC Members

**FROM:** Michael J. Arnold, Legislative Advocate  
Kristian E. Foy, Legal Counsel

**DATE:** August 20, 2008

**SUBJECT:** Court Injunction to Stop Medi-Cal Rate Cut

As you know, there is an ongoing lawsuit against the California Department of Health Care Services to stop implementation of the 10% cut to Medi-Cal provider rates, which the Legislature passed earlier in the year. Yesterday, the U.S. District Court issued a decision granting in part, a motion for preliminary injunction, pending resolution of the lawsuit.

The court concluded that because the Department of Health Care Services has “failed to demonstrate that the State of California considered whether the ten percent rate reduction would be consistent with efficiency, economy, quality of care, and equality of access, or the effect of providers’ costs on Medi-Cal beneficiaries’ access to medical providers and services, the Court finds that petitioners have demonstrated a likelihood of succeeding on the merits.”

The Court DENIED the motions for preliminary injunction for the implementation of Cal. Welf. & Inst. Code § 14105.19(b)(3), which reduces payments to managed care plans, and Cal. Welf. & Inst. Code § 14166.245(c), which reduces payments to non-contract acute care hospitals. These two entities will have to wait for resolution of the lawsuit.

The exact Court ruling is as follows:

“The Court hereby orders respondent Director, her agents, servants, employees, attorneys, successors, and all those working in concert with her to refrain from enforcing Cal. Welf. & Inst. Code § 14105.19(b)(1), including refraining from reducing by ten percent payments under the Medi-Cal fee-for-service program for physicians, dentists, pharmacies, adult day health care centers, clinics, health systems and other providers for services provided on or after July 1, 2008.

IT IS SO ORDERED.”

**Importantly, we do not yet know how this order will affect the current situation. Without a budget in place, the state will still be unable to make any payments to institutional providers. We will continue to monitor this situation and update you with more information as it becomes available.**