



# Headline News

(August 2006) Proposed Medi-Cal cut to latex glove reimbursement will force Shield Healthcare to exit the disposable glove business in California

VALENCIA, CA - In an effort to reduce state program costs, Medi-Cal is proposing another significant cut to reimbursement for medical supplies. This time the target for cuts is disposable latex gloves and this time Shield Healthcare may have to exit this portion of the business.

According to published Medi-Cal guidelines from November of 2004: "Disposable gloves are restricted to use in paraplegia or quadriplegia bowel procedures, and to the cleaning of bodily fluids and wastes for patients with Acquired Immune Deficiency Syndrome".

Currently, Medi-Cal reimburses providers like Shield a total of \$14.48 per box of disposable latex gloves. This rate allows many suppliers to effectively buy, ship, and bill for the product on behalf of beneficiaries.

However, Medi-Cal is considering a proposal to reduce the current amount to only \$5.54 per box. At that price it will be difficult for any provider to offer these supplies. Let the following example illustrate why.

It's really simple math:

● New Medi-Cal Reimbursement:	\$5.54
● *Minus Medi-Cal Contract Rate:	-\$4.50
● *Minus UPS Residential Shipping Costs:	-\$6.09
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Total Contribution to Overhead:	-\$5.05

So what does this mean for Shield customers?

The Medi-Cal reduction in reimbursement will limit Shield Healthcare's financial ability to provide disposable latex gloves to Medi-Cal beneficiaries. Affected customers may be required to do without gloves.

(July 2006) Shield Healthcare to modify its Medi-Cal mattress protector business in response to a deep reimbursement cut

VALENCIA, CA - Shield Healthcare, California's largest provider of disposable incontinence supplies announced today that it can no longer provide mattress protectors to Medi-Cal beneficiaries the way it has in the past. This change comes as a direct result of a recent cut in Medi-Cal reimbursement on mattress protectors.

So what does this mean for Shield customers?

The net effect of this significant reimbursement cut on customers is that Shield Healthcare can only provide mattress protectors two times a year to qualified beneficiaries and only as part of their normal incontinence supply orders.

While this unwanted change in procedure creates some challenges for both Shield and its customers, it is the only way for the company to make these supplies available to the beneficiaries who need them in the future.

The numbers tell the whole story.

Before the reimbursement cuts, Medi-Cal would pay a provider like Shield a total of \$51.23 to buy, store, pick, pack, ship, and bill a single mattress protector on behalf of a beneficiary. This rate would allow providers to cover all of these costs and to make a small profit.

However after the reimbursement cuts, Medi-Cal would only agree to pay a total of \$27.06 to supply the same mattress protector to a single beneficiary. That's a \$24.17 cut in reimbursement while the costs for providers to purchase, store, deliver, and bill for the product remain the same.