

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: \_\_\_\_\_

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BILL: SB 4A

INTRODUCER: Senator Negrón

SUBJECT: Memorial relating to the Medicaid Program

DATE: November 16, 2010

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
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**I. Summary:**

Through this memorial, the Legislature calls upon the United States Congress to restructure the Medicaid program and re-establish the federal-state partnership under Title XIX of the Social Security Act such that the State of Florida is able to provide better quality of care, improved access to care, and cost efficiency within its Medicaid program. Further, it resolves that the Florida Legislature will adopt comprehensive legislation in the 2011 regular session related to the Medicaid program in Florida.

Key principles in the memorial for restructuring the Medicaid program include:

- Model the federal-state Medicaid partnership on the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 such that the distribution of federal funds is based on population and tied to specific goals and objectives, and allows states to design a program that meets the needs of its residents;
- Authorize Medicaid participants to utilize public funds to purchase private health insurance for the provision of their health care needs;
- Decentralize decision making such that providers and plans have increased incentives to deliver better value and to design more innovative service packages, delivery systems, and payment methods; and
- Focus on prevention and cost effective use of services, foster personal responsibility and reward healthy behaviors, and enhance outcome measurement and quality improvement.

Regarding comprehensive legislation to restructure the Medicaid program during the 2011 regular session, the memorial resolves to strengthen accountability for improved patient outcomes, preserve meaningful choices for participants, and to improve access to coordinated

care by expanding key components of the Medicaid managed care pilot on a statewide basis for both acute and long-term care as follows:

- Expand managed care for all Medicaid participants, except those specifically exempted, utilizing a phased approach such that sufficient time is allotted to develop appropriate care plans for all eligibles such as long-term care participants and persons with developmental disabilities; and
- Increase fiscal predictability leveraging capitated, risk adjusted payment methodologies and leveraging the State's purchasing power through the use of regional competitive procurements.

Lastly, the memorial resolves that the Florida Legislature intends to enact reforms that establish a fairer and predictable civil justice system in order to reduce disincentives that discourage providers from serving Medicaid participants.

The memorial has no fiscal impact to the state.

## II. Present Situation:

### Florida's Medicaid Program

The state's Medicaid program is jointly funded by the federal, state, and county governments to provide medical care to families and individuals below certain income and resource levels. For fiscal year 2010-2011, the Florida Medicaid Program is projected to cover 2.97 million people,<sup>1</sup> at an estimated cost of \$20.2 billion.<sup>2</sup> Florida implemented its Medicaid program on January 1, 1970, to serve people with low incomes. The Agency for Health Care Administration (AHCA) is the single state agency responsible for the Florida Medicaid Program.<sup>3</sup>

In short, the Medicaid program consumes 28.4% of the state budget. The Medicaid program has more than doubled in the past 10 years, growing from \$8.9 billion in Fiscal Year 2000-2001 to an estimated \$20 billion for the current fiscal year. The significant growth in the Medicaid program for both caseload and expenditures constrains the State's limited financial resources. Unfunded financial obligations resulting from the expansion of the Medicaid program under new federal health care reform provisions will further constrain the State's financial resources.

The AHCA maintains a network of Medicaid providers, including individual health care practitioners, health care facilities, and other entities to provide services to Medicaid recipients.<sup>4</sup> The AHCA executes a provider agreement, as specified in s. 409.907, F.S., with each individual Medicaid provider and has contractual arrangements with 19 Medicaid health maintenance organizations (HMOs) and 6 provider service networks that provide services to over 1 million

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<sup>1</sup> November 2010 Forecast - Social Services Estimating Conference, Medicaid Caseloads.

<sup>2</sup> August 2010 Forecast – Social Services Estimating Conference, Medicaid Services Expenditures.

<sup>3</sup> The statutory provisions for the Medicaid program appear in ss. 409.901-409.9205, F.S.

<sup>4</sup> The Agency currently has Medicaid provider agreements with 109,026 providers statewide, including 39,483 physicians; 45 hospices; and 662 nursing homes.

Medicaid recipients.<sup>5</sup> Approximately two-thirds of all Medicaid recipients are enrolled in some type of Medicaid managed care.<sup>6</sup>

### **Medicaid Managed Care Programs**

The State of Florida operates a Medicaid managed care program through a federal s. 1915(b) waiver obtained from the Centers for Medicare and Medicaid Services in 1991. The managed care waiver provides the state with the authority to mandatorily assign eligible beneficiaries<sup>7</sup> and, within specific areas of the state, limit choice to approved managed care providers. The federal waiver requires Florida Medicaid recipients to be given a choice of managed care providers. The Medicaid managed care program is delineated into two major categories of providers: MediPass and managed care plans.

The Medicaid reform managed care pilot program, currently operating in Baker, Broward, Clay, Duval, and Nassau Counties, is authorized in s. 409.91211, F.S. Eligible Medicaid recipients in these counties must enroll in a managed care plan and do not have the ability to choose the MediPass program. Reform plans offer comprehensive, catastrophic and enhanced benefits which are allowed to vary within certain parameters from plan to plan. Medicaid recipients receive choice counseling to help them select among the plans. As of October 1, 2010, there were 266,333 Medicaid recipients enrolled in Medicaid reform plans.

### **Federal Health Care Reform**

The Patient Protection and Affordable Care Act<sup>8</sup> (Affordable Care Act) was enacted by the federal government in March 2010. This comprehensive legislation contains a wide range of measures to reform the nation's health insurance system. The federal Congressional Budget Office (CBO) estimates that the law will reduce the number of uninsured nationally by 32 million in 2019 at a net cost of \$938 billion over ten years. Further, the CBO projects that 24 million individuals will obtain coverage in the yet-to-be-created state health insurance exchanges and that 16 million individuals will enroll in state Medicaid and Children's Health Insurance (Kidcare) programs by virtue of the Affordable Care Act.

The caseload for Florida's Medicaid program is projected to be 2.97 million individuals for the 2010-2011 fiscal year<sup>9</sup> at a cost of \$20.2 billion,<sup>10</sup> and, according to the 2008 Census Bureau statistics, the state has approximately 3.6 million uninsured individuals. Preliminary estimates regarding the impact of the Affordable Care Act to Florida's Medicaid and Kidcare programs,

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<sup>5</sup> Medicaid Enrollment by Program Type, as of October 1, 2010, published by the Agency, available at: [http://ahca.myflorida.com/MCHO/Managed\\_Health\\_Care/MHMO/med\\_data.shtml](http://ahca.myflorida.com/MCHO/Managed_Health_Care/MHMO/med_data.shtml), (Last visited on November 15, 2010).

<sup>6</sup> Ibid.

<sup>7</sup> Certain persons are ineligible for mandatory managed care enrollment. The major population groups excluded from enrolling in managed care altogether include the Medically Needy, recipients who reside in an institution, those in family planning waivers, and those who are eligible for Medicaid through the breast and cervical cancer program. Dual eligibles (persons who have both Medicaid and Medicare coverage) are excluded from enrollment in MediPass, yet the dual eligibles and others (SOBRA pregnant women and children in foster care) may voluntarily enroll in any other type of managed care plan.

<sup>8</sup> The Patient Protection and Affordable Care Act (H.R. 3590, Public Law 111-148) as amended by the Health Care Education Reconciliation Act of 2010 (H.R. 4872, Public Law 111-152). The law contains strong work requirements, a performance bonus to reward states for moving welfare recipients into jobs, state maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work.

<sup>9</sup> November 2010 Forecast, Social Services Estimating Conference, Medicaid Caseloads.

<sup>10</sup> August 2010 Forecast, Social Services Estimating Conference, Medicaid Services Expenditures.

project that the caseload will increase by approximately 1.2 million individuals in Fiscal Year 2014-2015. This represents a 29.3 percent increase in the state's Medicaid caseload at a total cost of \$6.1 billion (state share of \$641.2 million). By Fiscal Year 2018-2019, the caseload is projected to increase by an additional 1.9 million individuals, representing a 38.96 percent increase in the state's Medicaid caseload at a total cost of \$8.9 billion (state share of \$1.4 million).

The Affordable Care Act does not specifically mandate how states must deliver services to Medicaid beneficiaries, whether through any particular managed care model, a combination of managed care models, or by using managed care at all.

### **III. Effect of Proposed Changes:**

Through this memorial, the Legislature calls upon the United States Congress to restructure the Medicaid program and re-establish the federal-state partnership under Title XIX of the Social Security Act such that the State of Florida is able to provide better quality of care, improved access to care, and cost efficiency within its Medicaid program. Key principles for restructuring the Medicaid program are provided as follows:

- Model the federal-state Medicaid partnership on the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 such that the distribution of federal funds is based on population and tied to specific goals and objectives, and allow states to design a program that meets the needs of its residents;
- Authorize Medicaid participants to utilize public funds to purchase private health insurance for the provision of their health care needs;
- Decentralize decision making such that providers and plans have increased incentives to deliver better value and to design more innovative service packages, delivery systems, and payment methods; and
- Focus on prevention and cost effective use of services, foster personal responsibility and reward healthy behaviors, and enhance outcome measurement and quality improvement.

The memorial resolves the Florida Legislature to adopt comprehensive legislation during the 2011 legislative session to restructure the Medicaid program, strengthen accountability for improved patient outcomes, preserve meaningful choices for participants, and to improve access to coordinated care by expanding key components of the Medicaid managed care pilot on a statewide basis for both acute and long-term care as follows:

- Expand managed care for all Medicaid participants, except those specifically exempted, utilizing a phased approach such that sufficient time is allotted to develop appropriate managed care plans for all eligibles such as long-term care participants and persons with developmental disabilities;
- Use the expertise of managed care organizations, including health maintenance organizations and provider service networks, to provide for medical assistance and long-term care;
- Protect participants' choices and dignity by allowing Medicaid funds to be used for any state-regulated private insurance; and

- Increase fiscal predictability leveraging capitated, risk adjusted payment methodologies and leveraging the State's purchasing power through the use of regional competitive procurements.

The memorial further resolves the Florida Legislature to enact reforms in the civil justice system in order to reduce disincentives that discourage providers from serving Medicaid participants.

**Other Potential Implications:** In order for the state to implement the Medicaid reforms contemplated to be enacted during the 2011 legislative session, the state must obtain waivers from the Centers for Medicare and Medicaid Services.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

##### **B. Public Records/Open Meetings Issues:**

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

##### **C. Trust Funds Restrictions:**

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

#### **V. Fiscal Impact Statement:**

##### **A. Tax/Fee Issues:**

None.

##### **B. Private Sector Impact:**

The memorial itself does not directly affect the private sector fiscally. However, to the extent that the memorial results in modifications to the Medicaid program, the method of delivery of services to Medicaid recipients may change. This could affect providers as well as Medicaid recipients. Additionally, reforms to the civil justice system might impact Medicaid recipients and providers.

##### **C. Government Sector Impact:**

The Medicaid program consumes 28.4% of the state budget. The Medicaid program has more than doubled in the past 10 years growing from \$8.9 billion in Fiscal Year 2000-2001 to an estimated \$20.2 billion for the current fiscal year. The significant growth in the Medicaid program for both caseload and expenditures constrains the State's limited financial resources. Unfunded financial obligations resulting from the expansion of the

Medicaid program under new federal health care reform provisions will further constrain the State's financial resources.

The caseload for Florida's Medicaid program is projected to be 2.97 million individuals for the 2010-2011 fiscal year<sup>11</sup> at a cost of \$20.2 billion,<sup>12</sup> and, according to the 2008 Census Bureau statistics, the state has approximately 3.6 million uninsured individuals. Preliminary estimates regarding the impact of the Affordable Care Act to Florida's Medicaid and Kidcare programs, project that the caseload will increase by approximately 1.2 million individuals in Fiscal Year 2014-2015. This represents a 29.3 percent increase in the state's Medicaid caseload at a total cost of \$6.1 billion (state share of \$641.2 million). By Fiscal Year 2018-2019, the caseload is projected to increase by an additional 1.9 million individuals, representing a 38.96 percent increase in the state's Medicaid caseload at a total cost of \$8.9 billion (state share of \$1.4 million).

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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<sup>11</sup> November 2010 Forecast, Social Services Estimating Conference, Medicaid Caseloads.

<sup>12</sup> August 2010 Forecast, Social Services Estimating Conference, Medicaid Services Expenditures.