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Florida Puts Squeeze on Medicaid Outlays

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Like other states, Florida is feeling squeezed by the soaring cost of Medicaid. But its response is drawing fire from hospitals, and the Obama administration may be pushing back.

Republican Gov. Rick Scott this week [proposed to slash Florida's spending](#) in the joint state-federal health insurance program for the poor by \$2 billion, in part to add \$1 billion to education in the next fiscal year.

"No program has grown as fast and as much as Medicaid, and we must find a way to control the cost. If we do nothing, this program will bankrupt our state," Scott said [in a news release](#) describing his proposed \$66.4 billion budget for the year that begins July 1.

Scott wants to change the way hospitals are reimbursed for treating patients on Medicaid, eliminating wide variations that now exist and paying flat rates for the same procedures in similar types of hospitals.

Scott is also looking to cut the number of emergency room visits and hospitalizations that Medicaid will cover.

Hospitals are warning of [dire consequences](#), but they're not the only ones concerned about plans to slow the rate of Medicaid spending in the state.

A plan to expand a five-county Medicaid managed care pilot program to the whole state may be in trouble. Lawmakers touted the expansion as a way to curb the rising costs of the program, but at least one part of the plan seems to be causing federal health officials some heartburn: charging beneficiaries co-pays and premiums.

As part of the effort to privatize many of the state's Medicaid services, the state plans to charge monthly premiums of \$10 per person and a \$100 co-payment for non-emergency visits to hospital ERs. But those extra charges may pose serious problems.

In Florida, a majority of the 2.9 million people on Medicaid are women and children. "These are families with very low incomes. We found that 800,000 children and their parents would be likely to lose coverage if this premium went into effect," said Joan Alker, a senior researcher at the

Georgetown University Health Policy Institute, who has been tracking the state's progress in transitioning Medicaid recipients into managed care statewide.

She noted that states are allowed to impose some cost-sharing requirements on Medicaid patients, and some do, but Florida is taking it a step further by allowing private companies to charge premiums and co-pays to people below the poverty line.

"The most similar experience we can look at is Oregon," she said. "With respect to adults below poverty, Oregon instituted premiums in 2003 and over the next few years enrollment for adults dropped precipitously from 104,000 to 24,000," Alker said.

The extra payments are expected to generate about \$370 million annually in Medicaid savings. The program's annual budget is about \$21 billion. But state Medicaid Director Justin Senior says the federal government appears unlikely to give Florida the waiver it needs to proceed.

"A lot of our initial conversations with the federal government have centered on whether those provisions are maintenance-of-effort violations," he said.

The maintenance of effort (MOE) provision is part of the 2010 federal health overhaul. It says states can't change the rules for who is eligible for Medicaid. And according to Senior, the planned co-pays and premiums, at first blush, seem to do that.

"The initial determination appears to be that they probably are maintenance of effort violations and may not be approved," he said.

Billions of dollars in federal support are at risk. If it's found that Florida isn't following the rules, the federal government will withhold its \$15 billion share of program costs.

But Florida isn't backing down from its plan just yet. State lawmakers approved the changes in May as part of a broader Medicaid overhaul, steering almost all Medicaid beneficiaries into managed care plans run by private insurance companies.

Scott says the state can't afford the Medicaid program in its current form and needs a federal waiver to make Medicaid work.

"We began last year by passing major Medicaid reform. But after months of dealing with the federal government, we still have not received approval for our Medicaid waiver. In order to fund education and ensure our state is in a position to continue to create jobs, we must control costs," he said at a news conference announcing his budget proposal.

