

Florida's Experience with

**MEDICAID
REFORM**

As Legislators Wrestle to Define Next Generation of Florida Medicaid, Benefits of Reform Effort Are Far From Clear

More than four years into Florida Medicaid's managed care pilot program, the benefits of what is commonly called "Medicaid reform" remain far from clear.

Meanwhile, the state's ability to expand and/or alter the pilot is dependent on negotiations with the federal government and those negotiations may be complicated by ideas under consideration by the 2011 Legislature, now in session.

Background

On Sept. 1, 2006 the State of Florida began enrolling Medicaid beneficiaries in Broward and Duval counties into a new managed care pilot program – a controversial and unique approach that gives insurers unprecedented flexibility to determine which benefits adult beneficiaries receive.⁽¹⁾ Because of this level of flexibility and other aspects of the pilot, a Section 1115 Research and Demonstration waiver from the federal government was required.⁽²⁾ Section 1115 waivers are initially authorized for a period of five years, and Florida's Section 1115 waiver is scheduled to expire on June 30, 2011.

Despite significant controversy, the initial waiver application was granted in record time by the Bush administration. Subsequent investigations by the U.S. Government Accountability Office found that public participation in the development of the proposal was inadequate, and that the federal Secretary of Health and Human Services likely overstepped his authority in granting certain aspects of the waiver.⁽³⁾ For these reasons, and because significant federal funding is at stake, it is unlikely that the Obama administration would renew the waiver without some changes.

On June 30, 2010 the State of Florida submitted an application for renewal of the waiver after the 2010 Legislature deadlocked on whether to expand the pilot statewide. Negotiations between the state and the federal Centers for Medicare and Medicaid Services about the terms and conditions of a waiver renewal are ongoing at the time of this publication. A temporary extension is possible while negotiations continue.

Key Findings

- » There is no clear evidence that the pilot programs are saving money, and if they are whether it is through efficiencies or at the expense of needed care.
- » Little data is available to assess whether access to care has improved or worsened under the pilot program.
- » Children, parents and people with disabilities who rely on Medicaid have experienced enormous disruption as a result of plan turnover in Broward, Duval and surrounding counties. Patients appear to be "voting with their feet" and moving from HMOs to Provider Sponsored Networks.
- » Certain features of Medicaid reform, such as the opt-out program designed to encourage the use of employer-sponsored insurance and the Enhanced Benefits program designed to encourage healthy behaviors, lack evidence to suggest they are achieving their goals and may be an inefficient use of scarce funds.

The current Legislature also is considering taking the pilot statewide as well as making more extensive changes to the Medicaid program (such as expanding managed care to long-term care and requiring premiums of everyone enrolled in Medicaid regardless of income), many of which would require additional waiver authority from the federal government.⁽⁴⁾ New waivers or a significant overhaul of the existing waiver application could slow the process of approval significantly.

What is happening in the affected counties?

Georgetown University's previous research into the impact of Florida's Medicaid changes highlighted a number of concerns, including declining provider participation, more restrictive drug formularies, high administrative costs and an absence of clear evidence that the changes were saving money. This report provides a brief update on what has happened in the pilot counties since the final report was issued in October 2008.

Enrollment in the five participating counties (Broward, Duval, Baker, Clay and Nassau) has grown to 275,856 in February 2011⁽⁵⁾, a 40 percent increase over enrollment of 196,860 in August 2008. The growth reflects an overall increase in Medicaid enrollment in Florida and nationwide due to the effects of the recession.

The Jessie Ball duPont Fund commissioned researchers from Georgetown University's Health Policy Institute to examine the impact of changes to Florida's Medicaid program on beneficiaries in the affected counties, and to identify issues confronting the state under implementation of the Affordable Care Act.

**JESSIE BALL
DUPONT
FUND**

Enrollment in the pilots currently constitutes just less than 10 percent of Florida's statewide Medicaid enrollment. The single largest group of beneficiaries enrolled in the pilot counties continues to be children.

Beneficiaries may choose to enroll in any available plan, including both capitated managed care plans (HMOs) and provider-sponsored networks (PSNs).

PSNs are networks that are operated by a health care provider or groups of providers. Medicaid reform rules treat PSNs somewhat differently than HMOs. PSNs do not have the flexibility to limit benefits or deviate from the state's drug formulary in the same way that HMOs do until they go "at-risk." (Networks operating at-risk are paid on a risk-adjusted, per-enrollee basis, rather than reimbursed for actual services provided. They are "at-risk" because they will lose money if they provide more in services than they are paid.)

The 2008 report found concerns among PSNs about moving to an "at-risk" form of payment as the state planned to do in the fall of 2009. PSNs at that time enrolled a disproportionate number of persons with disabilities who typically have higher medical needs and thus are more expensive. However, today PSNs continue to receive reimbursement from the state for the actual costs of their enrollees after the Legislature extended the deadline to 2011.

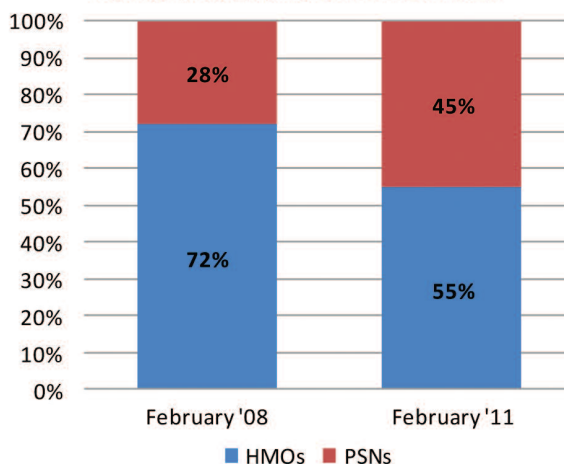
High levels of market disruption

Since 2008, there has been significant turnover in participating plans in all counties.

As the charts below show, the vast majority of beneficiaries in Duval County likely have changed plans since 2008. The withdrawal of Wellcare in 2009, which had 55 percent of market share in 2008, was a significant disruption. A new HMO – Sunshine – covers 43 percent of enrollees today. The PSN operated by Shands Jacksonville has picked up significant market share and now enrolls 46 percent of beneficiaries in Duval County.

In Broward County, a similar picture emerges. The withdrawal of Wellcare, Amerigroup, United Healthcare, Vista and Buena Vista means that plans representing

Florida Medicaid Reform Enrollment



two-thirds of the market share in 2008 are no longer participating in Broward today.⁽⁶⁾

Changes on the PSN side suggest that the vast share of Medicaid beneficiaries in Broward as well have been required to change plans at least once over the past few years – leading to possible disruptions in care and lack of continuity in providers.

Movement to PSNs

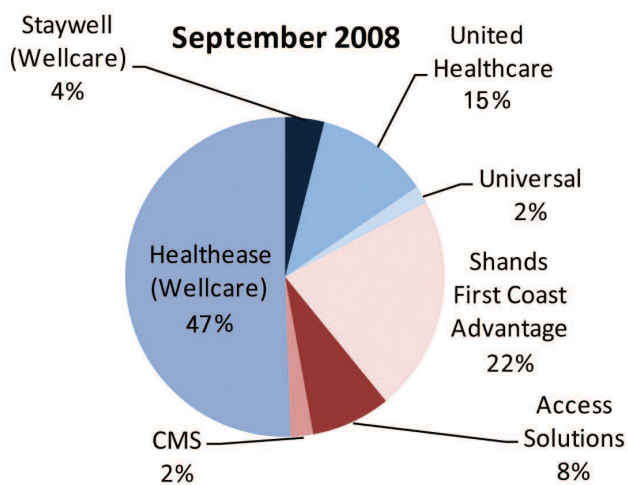
It appears that beneficiaries have reacted to this significant turmoil in the market by moving in large numbers away from managed care to the PSN options available to them.

As the chart above shows, the percentage of beneficiaries in all reform counties choosing a PSN has increased significantly since 2008 and now stands at 45 percent.

The importance of the PSN option is even more pronounced for people with disabilities, who have greater health care needs. In 2008, 41 percent were enrolled in PSNs and today a slight majority – 51 percent – are enrolled in PSNs.⁽⁷⁾

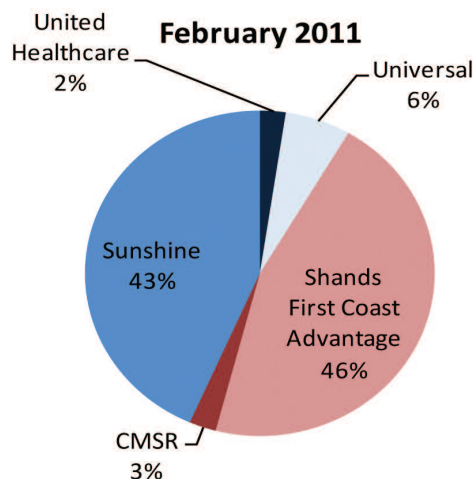
The question of adequate care and benefit limits

Unfortunately little data is available to assess whether access to care is improving or worsening. Anecdotal evidence suggests that concerns still exist.⁽⁸⁾



CHANGES IN MARKET SHARE IN DUVAL COUNTY

In September, 2008, there were seven plan options for Medicaid beneficiaries, four HMOs (shown in blue) and three PSNs (shown in red). By February 2011, there had been major turnover among plans and the number of options had shrunk to five — three HMOs and two PSNs.



Why are Florida's Medicaid costs going up?

Medicaid is a very efficient program, costing significantly less on a per-person basis than private insurance – often because provider reimbursement is low. This is especially true in Florida, which has a low per-person cost – ranking 43rd in the country.⁽¹⁰⁾

In general, Medicaid costs rise for two possible reasons – enrollment growth or increases in the cost of services.

Recent economic conditions have caused Medicaid's enrollment to go up in Florida and nationwide as more families lose their jobs and children in particular become eligible for Medicaid and KidCare.

A recent national survey underscored that Medicaid cost growth is driven almost exclusively by enrollment growth⁽¹¹⁾ and this trend is especially pronounced in Florida, where the state's data show a significant growth in enrollment and a slight decrease in cost growth.⁽¹²⁾

Information about the benefits packages that plans are offering provided by the state to the federal government reports that most HMOs are not limiting benefits, although those that are – Sunshine, United Healthcare, and Medica – have substantial market share. These plans have used the flexibility in the waiver to limit durable medical equipment, home health services, physical and respiratory therapies, chiropractor and podiatry services for adults.⁽⁹⁾ Plans also have added a few benefits such as a credit for over-the-counter medications. (Children must continue to receive the full Medicaid benefits package in all plans under the terms of the waiver unless they are in the opt-out program.)

Given that there is significant pressure on the Medicaid budget, and that there is no increase in per-person spending on average in Florida's Medicaid program, concern arises about additional downward pressure on the benefits package, especially if budget pressures continue and the state is permitted to expand the waiver managed care program to new counties.

Enhanced benefits accounts

This component of the waiver was designed to encourage healthy behaviors on the part of Medicaid beneficiaries.

Previous research found a lack of knowledge about the program on the part of beneficiaries and providers contributing to low take-up rates, high administrative costs and scant evidence of impact on behavior.

Today it appears that redemption of the credits awarded to beneficiaries has improved substantially – suggesting that awareness has improved – but little evidence that behavior has changed as a result of the program.

Most credits continue to be awarded for keeping well-child and other doctor's appointments; virtually none

are being awarded for more complex behavioral changes such as participation in smoking cessation, diabetes management or weight loss programs.⁽¹³⁾

The “opt out” provision

The “opt out” provision gives beneficiaries the choice of enrolling in employer-sponsored insurance if it is available to them but requires families to pay all applicable coinsurance and cost sharing. Evaluating this component of Florida's demonstration is important because some legislative proposals advocate an expansion of this approach.

In general, premium assistance programs have had low enrollment nationwide, especially when eligible populations have very low incomes. These groups tend not to have access to employer-sponsored insurance, and if they do, premiums and cost-sharing can be unaffordable. In addition, Florida's program in particular has had extraordinarily high administrative costs in the past in part because of the low enrollment.

According to the latest data submitted by the state, there are currently 21 persons enrolled in the “opt-out” program – less than .01 percent of current pilot participants.⁽¹⁴⁾ As a result, per capita administrative costs likely will continue to be extremely high and the program most likely is not cost-effective.

Has the pilot program saved money?

The 2008 report noted that there was insufficient data available to draw conclusions. That still appears to be the case.

The University of Florida, which has a contract with the state to evaluate the waiver, released a study in July 2009 that examined the first two years of the reform pilot. This study concluded that the pilots were saving money, but did not account for the cost of the enhanced benefits program and increased administrative costs associated with the pilot.

The study also concluded that it was not possible to assess whether these savings were a result of reduced access to care or more efficient provision of services.⁽¹⁵⁾

No further analysis or data has been forthcoming.

Conclusion

Much critical information is still lacking about the impact of Florida's Medicaid pilots, including whether or not the pilots have saved money – and if they have whether the savings came at the expense of needed care.

Certain features of the waiver, such as the “opt-out” program being considered for expansion, have not been successful.

Market instability and plan turnover have resulted in significant changes in beneficiary plan assignments over the past three years, which is likely to have caused disruptions in care for children, people with disabilities and other vulnerable populations. Provider sponsored networks which have not yet been capitated have become more popular with beneficiaries.

ENDNOTES

1. For a detailed description of the waiver, see *Medicaid Changes: What will they mean for Broward and Duval counties, and beyond?* Alker, J and Hoadley, J. Jesse Ball duPont Fund, September 2006. Available online at www.dupontfund.org and hpi.georgetown.edu/floridamedicaid.
2. It is worth noting that states do not need a federal waiver to enroll the majority of Medicaid beneficiaries in managed care (i.e. children and parents who are eligible as a result of their incomes, adults receiving Supplemental Security Income for a disability) as long as certain consumer protections are observed; Florida's changes required a waiver because it sought to go further by enrolling additional populations and allowing managed care companies to limit benefits as well as to establish the Low Income Pool and limit children's benefits in certain circumstances.
3. Letter from Gary Kepplinger, General Counsel GAO to Health and Human Services Secretary Michael Leavitt, July 24, 2007. See also *Medicaid Demonstration Projects in Florida and Vermont Approved Under Section 1115 of the Social Security Act*, GAO report B309734, July 24, 2007.
4. Many Medicaid beneficiaries can be enrolled in managed care without a waiver as long as they have a choice of plans and other consumer protections. Children receiving disability payments and persons also receiving Medicare are among the exceptions. Premiums for children and other low income persons are expressly prohibited by federal law.
5. Enrollment as of February 2011 Source: February 2011 *Florida Medicaid Reform Enrollment Report*, AHCA http://www.fdhc.state.fl.us/MCHQ/Managed_Health_Care/MHMO/med_data.shtml.
6. Source: Georgetown University analysis of September 2008 and February 2011 *Florida Medicaid Reform Enrollment Report*, AHCA http://www.fdhc.state.fl.us/MCHQ/Managed_Health_Care/MHMO/med_data.shtml.
7. Georgetown University analysis of February 2008 and February 2011 *Florida Medicaid Reform Enrollment Reports*, AHCA http://www.fdhc.state.fl.us/MCHQ/Managed_Health_Care/MHMO/med_data.shtml.
8. Kennedy, Kelli. "Local docs, patients oppose Medicaid privatization." *Miami Herald* on the Web 1 March 2011. <http://www.miamiherald.com/2011/03/01>.
9. Attachment III Summary of Benefit Packages January 11, 2011 AHCA Response to CMS Requests for more information, available at http://ahca.myflorida.com/Medicaid/medicaid_reform/cms_itr.shtml.
10. Per capita spending from State Health Notes, Kaiser Family Foundation.
11. John Holahan et al, *Medicaid Spending Growth Over the Last Decade and the Great Recession 2000-2009*, Kaiser Commission on Medicaid and the Uninsured, February 2011.
12. Roberta K. Bradford, Deputy Secretary for Medicaid, "Florida Medicaid: Program Overview," AHCA Presentation to the House Health and Human Services Committee, January 13, 2011.
13. *Florida's Medicaid Reform Choice Counseling and Enhanced Benefits*, Agency for Health Care Administration presentation to the Technical Advisory Panel on February 25, 2011.
14. AHCA Medicaid Section 1115 Waiver Demonstration Quarterly Progress Report October 1, 2010 – December 31, 2010, p. 38.
15. Harman, J and Duncan, P., *An Analysis of Medicaid Expenditures Before and After Implementation of Florida's Medicaid Pilot Reform Demonstration*, (University of Florida under contract to Florida Agency for Health Care Administration) July 2009.



This report is made possible through the generous support of the Jessie Ball duPont Fund. Copies may be found at www.dupontfund.org and at hpi.georgetown.edu/floridamedicaid.

For more information:

Sherry P. Magill
PRESIDENT

Jessie Ball duPont Fund
One Independent Drive
Suite 1400
Jacksonville, Florida 32202
904-353-0890

AUTHORS

Joan Alker
Jack Hoadley
Health Policy Institute
Georgetown University
Box 571444
3300 Whitehaven Street NW
Washington, D.C. 20057
202-687-0880

The authors would like to acknowledge the research assistance of Anuja Bedi.