



## Emerging State Health Policy Issues

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# WHAT WILL FLORIDA'S "MEDICAID CHOICE" WAIVER PROPOSAL MEAN FOR CHILDREN?

## Background

Florida's Medicaid program is of vital importance to the health of children in the state. Twenty-seven percent of Florida's children receive their health care services through Medicaid.<sup>1</sup> Federal law requires that children on Medicaid receive a comprehensive set of medically necessary benefits (EPSDT) because these children are often in poorer health and have limited incomes to pay for non-covered services. Many children receiving Medicaid live in families with incomes below the poverty line.

## What is the Medicaid waiver?

On October 19<sup>th</sup> 2005, Florida received approval for its far-reaching Section 1115 "Medicaid Choice" proposal from the federal government. Section 1115 waivers are agreements between the federal and state governments which give the state additional flexibility. In exchange, the state must agree to a budget neutrality agreement which limits the amount of federal dollars that come into the state.



On December 16<sup>th</sup>, 2005, governor Bush signed into law a bill passed by the Florida legislature, which approves the final waiver agreement. The state plans to implement the waiver on July 1<sup>st</sup>, 2006. Implementation will begin in two counties, Broward and Duval, as required by state law.

Florida's waiver moves the Medicaid program to a premium-based system in which Medicaid beneficiaries receive a risk-adjusted "premium amount" to shop in a new Medicaid marketplace and choose among competing plans. If it is eventually implemented statewide, the waiver will change the way acute care services are delivered and/or financed for most non-elderly beneficiaries across the state. This factsheet summarizes how these changes will affect children.<sup>2</sup>

## Which children will be affected by Florida's waiver?

Children are the single largest group that will be expected to enroll in Florida's new Medicaid system. How they are affected with respect to changes in service delivery will depend on where they live. However, *virtually all children in the state will come under the waiver's budget neutrality agreement.*

In short, the budget neutrality agreement requires the state to limit growth in Medicaid expenditures on a per person basis to eight percent annually over the five year period of the waiver. If expenditures increase at a faster rate, due to higher than anticipated increases

in health care costs, the state will receive no additional federal funding, and must use its own funds to fill the gap or cut back on care. Because enforcement of the budget neutrality cap is done across populations and based on compliance in all areas of the state (not just the pilot counties), funding for children's services may be at risk if either their costs exceed the eight percent anticipated by the formula or cost growth for parents and/or adults with disabilities exceed eight percent. The budget neutrality agreement is enforced by the federal government at the end of the five year period.

## Which children will move to the new system in 2006?

The waiver is scheduled to be implemented for the first twelve months on a pilot basis in Broward and Duval counties. Approximately 200,000 children currently receive Medicaid in these two counties.<sup>3</sup> Implementation is scheduled to start on July 1, 2006, and after twelve months can be expanded to Baker, Clay and Nassau counties. Enrollment in the new system will be phased-in on a monthly basis.

Almost all children in these counties will be required to participate in the initial demonstration phase. This includes children receiving Supplemental Security Income (SSI), children eligible through the Temporary Assistance for Needy Families (TANF) program, and all other infants and children eligible for Medicaid as a result of their family's income. Exceptions to mandatory participation include children in foster care, children participating in the Children's Medical Services Program, and children living in inpatient facilities. However, participation will be mandatory for these groups no later than the end of the third demonstration year.

## What changes will children see in the way services will be delivered?

Under the new system, children will receive a risk-adjusted premium that their parents must use to choose a plan for them. Children will only become eligible for full Medicaid coverage once they have selected a plan – not when they become eligible for Medicaid – thus creating an unfortunate incentive for families to make this complex choice as quickly as possible. In the interim, children will only be eligible for emergency services.

All plans will be required to offer the EPSDT benefit if they wish to participate in the new system. Unlike adults, children will not face new costs and an overall limit on benefits. Like adults, however, children will face significant

change in the service delivery system and the way care is paid for. The adequacy of the premium amount that children, both individually and collectively receive, will be critical to the ability of children to access needed services.

For example, the propensity of plans to erect administrative barriers to accessing EPSDT services and the ability of plans to attract a large range of participating providers will likely be determined by the adequacy of the premium amount. No information is currently publicly available about what the premium levels will be and how they will be risk-adjusted to reflect specific children's needs. Establishing risk-adjusting premiums for hundreds of thousands of persons with complex medical needs is an enormously difficult task. Important questions such as whether children with chronic health conditions will receive adequate premium amounts, and how quickly a child whose health status changes will see their premium amount shift – have not been answered.

## What other changes will affect children?

The state did receive a waiver of EPSDT and cost-sharing prohibitions for children in families that choose to participate in an "opt-out" program. Participating families would use their premium amount to purchase private coverage, which will not meet Medicaid standards. It will be important that families are properly notified of the consequences of this choice, as private coverage is likely to be less comprehensive and more expensive. In addition children will be eligible for the new Enhanced Benefits accounts designed to incentivize healthy behaviors.

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## Endnotes

<sup>1</sup> October 24, 2005 Presentation of Thomas Arnold, Deputy Secretary of Agency for Health Care Administration.

<sup>2</sup> For more information on how the waiver will affect Florida's Medicaid program, see Alker, J. and Portelli L., *Understanding Florida's Medicaid Reform Application*, and other briefs in this series available from the Winter Park Health Foundation at [www.wphf.org/pubs/briefpdfs/Medicaid5.pdf](http://www.wphf.org/pubs/briefpdfs/Medicaid5.pdf).

<sup>3</sup> Data received from Medicaid Services staff in AHCA (Area 4) and AHCA (Area 10) offices. Telephone conversations November 9, 2005 and November 7, 2005 respectively.