



Addressing Misconceptions in Florida Medicaid

Part 1 of 3 – The Basics: How Much and For Whom?

Long before the formal start of its annual regular session each spring, the Florida Legislature lays the groundwork for balancing the state budget. The planning for 2011-12 is already underway amidst persistently challenging economic conditions, including flagging revenue and surging need. The state again faces another significant budget shortfall, but almost no non-essential spending remains to be cut. In light of the well-known positions of incoming leadership, however, a push for further reductions rather than the generation of adequate revenue is inevitable. One certain primary target is the Medicaid program. In fact, one of the key actions taken by the legislature during its recent one-day special session was the passage of a memorial (i.e., resolution) complaining to Congress that the cost of Medicaid is unsustainable¹.

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In attempting to build a case for slashing Medicaid, however, critics have overstated and even misrepresented the nature of both recent trends and future projections. Admittedly, aspects of Florida Medicaid are in dire need of improvement, and meaningful improvements would increase Medicaid's efficiency. However, Medicaid is an inappropriate scapegoat for Florida's budget woes, particularly because the health and well-being of the most vulnerable Floridians who must rely on it hang in the balance.

Misperceptions Regarding Florida's Increasing Medicaid Budget

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The current handwringing over the size and growth of Florida's Medicaid budget is nothing new. Medicaid spending has been targeted by critics almost continuously in recent years. Enrollment-driven increases in expenditures have only provided additional ammunition, however, especially without the accompanying context.

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funding invested in Medicaid this budget year is drawing down an additional \$1.84² in federal matching funds. Even that figure is understated, however, as such leveraged “state” funds includes revenue generated in local communities by county governments, hospital taxing districts, individual hospitals, and nursing homes. That money is turned over to the state and used to draw down matching dollars as well. Thus, all told, every dollar of state general revenue (GR) invested in Medicaid this year will leverage an additional \$4.77 from other sources, an unprecedented yield. Even when ARRA (stimulus) funds - which have increased the federal match rate for Medicaid for almost 3 years - stop flowing in 2011-12, every dollar of GR will leverage another \$2.98.

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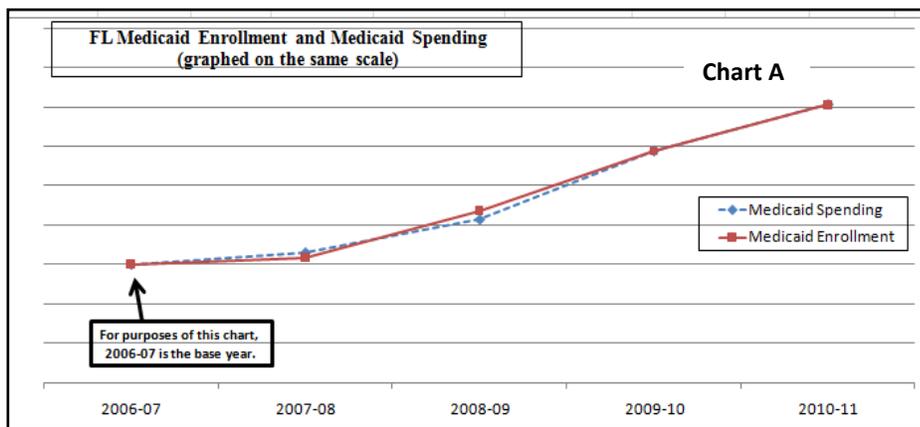
The federal funds are not available outside of the Medicaid matching process, and Florida and its economy lose access to them if the state does not draw them down. That return on investment will be even greater when Medicaid expansion under the new health law begins in 2014.

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Using general revenue then as a better gauge of the true size of the Medicaid budget and the legislature's investment, the \$3.5 billion in GR funding appropriated for 2010-11 represents a far more modest 15 percent of total projected GR collected. Even three years from now, long after ARRA funds have evaporated, sustaining the Medicaid program would absorb 21 percent of total GR. Based on current revenue projections, that percentage can be expected to decline, even with the expansion of Medicaid in 2014 under the Affordable Care Act.

Indeed, the most recent forecast by state legislative economists is that Medicaid spending for Fiscal Year 2010-11 will reach \$20.2 billion³ (including both federal and state funding), a 36 percent increase in three years. Most notably, the rate of enrollment growth has actually outpaced the rate of spending growth (see Chart A).

Thus, the primary factor driving recent Medicaid spending increases is simply that so many more Floridians have been forced to rely on it. In fact, although partially related to a change in caseload mix,



average total Medicaid spending per recipient in 2010-11 will be less than it was in 2007-08⁴. Furthermore, total spending per recipient has even grown more slowly than the overall rate of inflation.

Nevertheless, critics

continue to claim that Medicaid spending is spiraling out of control, and that drastic measures to contain costs are necessary. Such assertions are nothing new, however. For one, then-Governor Jeb Bush made similar claims in 2005, arguing that Medicaid costs would consume \$50 billion by 2015 if left unchecked⁵. Yet although the solution proposed at that time – the troubled “Medicaid Reform” experiment – has been implemented in only five counties, Medicaid spending will nevertheless reach only about half that amount by then. Moreover, factoring out the impact of the recession, which certainly was not anticipated five years ago, the 2005 estimate would have been at least \$30 billion too high.

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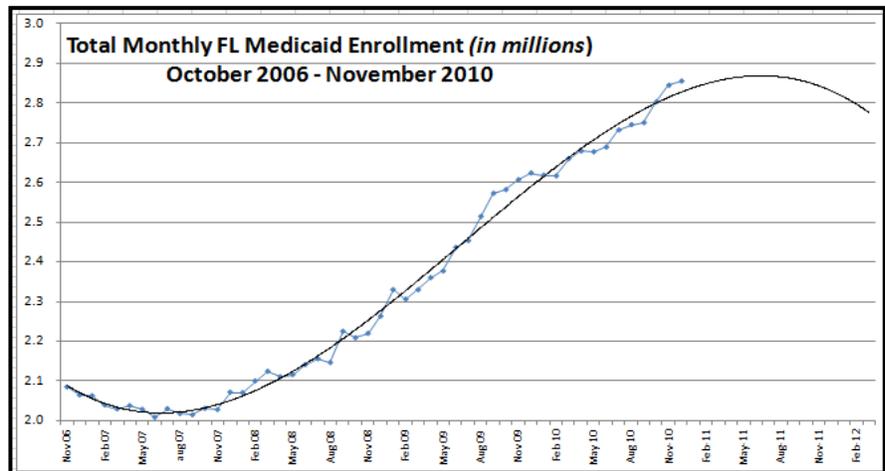
Another often-raised but selectively explained concern about Medicaid spending levels is the fact that total (combined federal and State) program expenditures currently account for 28 percent of the state budget, up from a low of 20 percent in 2006-07⁶. Once again, however, that high rate is a function of the double whammy delivered by the recession: more Medicaid spending and less revenue collection. Like enrollment, the climbing share of the state budget consumed by Medicaid should also reach a peak in 2011 and begin to fall.

Misperceptions Regarding Florida's Increasing Medicaid Enrollment

Enrollment in Florida Medicaid has skyrocketed 42 percent during the past three years, from a pre-recession level of 2.03 million in October 2007 to a record 2.84 million (about 15% of Florida's population) through October 2010. These raw numbers must be placed in context, however.

Chart B

Although the increase is certainly significant, virtually all of it can be attributed to the lingering recession and Floridians' resulting loss of income and insurance coverage. Medicaid enrollment inevitably follows a “counter-cyclical” trend. In other words, enrollment is lower during periods of economic prosperity and higher during economic downturns. During a recession as severe and persistent as the one Florida is currently experiencing, a relatively extended surge in enrollment is hardly unexpected, particularly given that so many Floridians remain in the lowest-income brackets that qualify for Medicaid. Medicaid enrollment levels have in fact increased significantly in almost every state during the recession⁷. It’s not surprising that the increase would be particularly dramatic in Florida, as the state continues to be saddled with one of the nation’s highest unemployment rates.



Even as Florida's economy slowly rebounds, Medicaid enrollment has continued to rise, although the rate

of increase has slowed dramatically⁸. The fact that Medicaid enrollment is not already declining may be attributable to other factors, such as laid-off workers losing access to federal subsidies that lowered the cost of COBRA coverage starting last May. Nevertheless, based on current trends and policies, Medicaid enrollment can be expected to peak sometime in 2011 and then begin to decrease (see Chart B)⁹.

Florida's Medicaid Program – What Is It?

Medicaid is the nationwide, safety net program providing health insurance coverage for the lowest-income and most vulnerable individuals. Congress created Medicaid in 1965 as Title XIX of the Social Security Act.

Every 32 cents Florida currently spends on Medicaid draws down an additional 68 cents in federal tax dollars. Even after stimulus funds stop flowing next year, Florida will only pay 44 cents of every dollar in the Medicaid budget.

The Medicaid program is run as a partnership between federal and state governments. Federal Medicaid laws and regulations set many of the basic parameters governing the program, and the Centers for Medicare and Medicaid Services (CMS) provides federal oversight. However, each state is directly responsible for managing the program and for setting many of the rules as well. As a result, Florida's version of Medicaid, like every other state's, is unique.

Medicaid is financed via a federal-state partnership as well. The share that each state must contribute varies based on a formula called the Federal Medical Assistance Percentage (or FMAP), which is based on a relative comparison of state and national per capita income. Each state's FMAP is recalculated annually, but in the years leading up to February 2009, when the federal share of Medicaid costs was increased thanks to the passage of the American Recovery and Reinvestment Act (ARRA)¹⁰, the federal government footed between 55 percent and 60 percent of Florida's total Medicaid bill¹¹. With the “enhanced” FMAP made available to Florida through ARRA, the federal share increased to almost 68 percent. In other words, every 32 cents Florida currently spends on Medicaid draws down an additional 68 cents in federal tax dollars that would otherwise be sent to other states. That FMAP boost is currently scheduled to phase out starting in January 2011¹², however, ultimately reverting to a pre-ARRA level of 56 percent (i.e., by spending 44 cents, the state draws down an additional 56 cents) effective July 2011.

Florida's Current Medicaid Safety Net Doesn't Stretch Very Far

As another aspect of the federal-state balance, federal law requires states to assure Medicaid eligibility for some categories of individuals¹³, while states have discretion regarding whether or not to extend eligibility to those in other categories. Florida's particular eligibility requirements for so-called “optional” groups, however, are among the strictest of any state. Medicaid eligibility in Florida is also exceptionally complex, as there are many different eligibility categories, each with a different income limit as well as other uniquely applicable rules.

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For example, Elena Torres works part-time as a housekeeper at a hotel. Her employer does not offer her health insurance coverage, but although her income is very close to the poverty level, she earns too much

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to qualify for Medicaid. However, her two children, Mia (5) and Gabriela (2), do qualify for Medicaid. In a few months though, when Mia turns 6, a different (lower) income limit will kick in, and Mia will no longer qualify for Medicaid. (She will, however, qualify for coverage through the Healthy Kids program). Finally, if Elena's pending request for full-time hours is approved, the increased income may eventually cause Gabriela to lose her Medicaid coverage as well.

In short, the only people who can qualify for Florida Medicaid are: 1) *low-income* infants, toddlers, preschool-age children, and pregnant women; 2) *extremely low-income* school-age children, seniors, people with disabilities; and 3) parents of children in *deep poverty*¹⁴. Only the most vulnerable Floridians have any hope of accessing Medicaid, and

it is these vulnerable Floridians who have no other access to critically needed coverage. Even unemployed parents who are able to find work can no longer count on Medicaid, as working even a part-time, low-wage job puts them over the Medicaid income limit after a grace period¹⁵. Furthermore, no adult who is not disabled, elderly or a parent of minor children can qualify for Florida Medicaid under any circumstances, regardless of how low his or her income. Consequently, almost 6 of every 10 Florida Medicaid recipients are children and youth, while the majority of the rest are the lowest-income seniors and/or are permanently disabled¹⁶.

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The main coverage groups in Florida Medicaid are shown in the table below. The table should be used for illustration purposes only, as specific income limits may vary based on the household's sources of income and types of expenses. Furthermore, a number of other restrictions and rules apply (e.g., limits on the value of assets that households may own), so meeting the income requirement alone does not automatically qualify anyone for Medicaid. The bottom line is that eligibility for Florida Medicaid is complex and restrictive. It's not remotely available to all low-income, uninsured Floridians.

Florida Medicaid: Income Limits for Main Coverage Groups		
Coverage Group	Household Income Limit (as % of 2010 Federal Poverty Level)	Annual Household Income Limit (for a family of 3, unless otherwise noted)
Infants up to age 1	200%	\$36,620
Pregnant women	185%	\$33,874
Children ages 1-5 ¹⁷	133%	\$24,352
Children ages 6-18	100%	\$18,310
People with disabilities and extremely-low income seniors (SSI recipients)	75%	\$8,088 (single individual)

Seniors and people with disabilities who: 1) receive institutional care; 2) are at-risk for institutional placement; or 3) do not have access to Medicare coverage	88% ¹⁸	\$12,822 (couple)
Parents of children in deep poverty and youth ages 19-20	53% (if working) 26% (if unemployed)	\$9,672 \$4,716
“Medically needy”: Any of the above groups with too much income to qualify, but also with catastrophic medical expenses	26%, after subtracting their “share of cost” ¹⁹	\$4,716
Non-elderly adults with no children (and not disabled)	N/A – never eligible	N/A

Such severe limits place Florida near the very bottom of the list in terms of providing access to Medicaid coverage. For example, only one state has set a lower income limit for persons with disabilities. Florida also does not offer coverage beyond the mandatory minimum level to groups such as children ages 1-18 and unemployed parents. Finally, Florida does not, unlike almost half of the states, cover some childless adults²⁰.

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Endnotes

- ¹ See [Senate Memorial 4-A](#), adopted November 16, 2010.
- ² All leveraging calculations are derived using data from the Long Term Medicaid Forecast, August 2010 [Social Services Estimating Conference](#), Office of Economic and Demographic Research, Florida Legislature.
- ³ Historical Medicaid spending data is taken from the August 2010 Long Term Medicaid Forecast.
- ⁴ Calculations derived using information from various Social Services Estimating Conference reports.
- ⁵ Governor Jeb Bush, Florida Medicaid Modernization Proposal, January 2005.
- ⁶ Derived using information from Social Services Estimating Conference and General Appropriations Act reports.
- ⁷ See [Medicaid Enrollment: December 2009 Data Snapshot](#), Kaiser Commission on Medicaid and the Uninsured,
- ⁸ See Medicaid Caseloads, November 2010 Social Services Estimating Conference.
- ⁹ Monthly Medicaid caseload levels are taken from the Comprehensive Medicaid Managed Care Enrollment reports prepared by the [Florida Agency for Health Care Administration](#).
- ¹⁰ ARRA was enacted by Congress in February 2009. However, the increased federal Medicaid matching rate was made retroactive to October 2008.
- ¹¹ August 2010 [Social Services Estimating Conference](#).

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- ¹² In August 2010, Congress extended the enhanced FMAP through June 2011, but at an increasingly lower rate in the final two quarters. See, e.g., [Extension of ARRA Enhanced Medicaid Match](#), National Conference of State Legislatures, August 18, 2010.
- ¹³ See, e.g., [Mandatory Eligibility Groups](#), U.S. Centers for Medicare and Medicaid Services, December 2005.
- ¹⁴ See sections 409.903 and 409.904, Florida Statutes (2010).
- ¹⁵ See, e.g., section 2030, ACCESS Florida Policy Manual, Florida Dept. of Children and Families (November 2010).
- ¹⁶ See, e.g., [Medicaid Eligibles Reports](#), Florida Department of Children and Families, September 2010.
- ¹⁷ Children in households with incomes above Medicaid eligibility limits - but at or below 200% of poverty - may nevertheless qualify for subsidized coverage through the Children's Health Insurance Program (CHIP). In Florida, Children's Medicaid and CHIP coverage are collectively known as Florida KidCare.
- ¹⁸ The Medicaid income limit for nursing facility care for an individual is 225% of poverty, but virtually all of that income must be paid directly to the facility. Medicaid also assists low-income seniors and some people with disabilities up to 135% of poverty by directly paying their Medicare-related out-of-pocket costs.
- ¹⁹ "Share of cost" is the amount of medical expenses a household must incur in a month in order to qualify for Medicaid as "medically needy". Basically, monthly household income after subtracting the share of cost must be less than the Medicaid income limit.
- ²⁰ See, e.g., Medicaid/CHIP Eligibility, [Kaiser State Health Facts](#), 2009.