FLORIDA CENTER FOR FISCAL AND ECONOMIC POLICY

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Missing Piece:

Governor's Budget Avoids Gutting HHS Safety Net, But Misses Real Opportunity to Strengthen State by Also Avoiding Medicaid Expansion

Summary:

Governor Rick Scott's proposed 2013-14 budget looks much different than his recommendation of a year ago, when he proposed more than $2 billion in proposed cuts to health and human services (HHS) programs. This year, the governor's budget calls for more than a billion dollar *increase* in the HHS portion of the budget, from $29.9 billion to $30.9 billion.

However, with respect to the proposed investment of state General Revenue (GR), which are the funds directly raised and controlled by the state (in contrast with federal dollars and restricted trust funds), the increase was a more modest $181 million, from $7.67 billion to $7.85 billion. Nevertheless, this recommended increase represents a turn-around from the $442 million GR cut from the governor's 2012 HHS budget recommendations.

Overall, the share of general revenue appropriated to HHS under the Governor's proposal would decrease from 31 percent to 29 percent. In fact, only about 1 of every 12 new GR dollars are proposed for investment in the HHS budget (and that does not factor in the more than $50 million in proposed GR cuts from existing HHS programs and services discussed below).

The governor's 2013-14 budget proposal has some serious shortcomings, however. Not only does it include at least $185 million ($57 million GR) in cuts to crucial HHS program and services, of perhaps even greater significance is what is not included, namely any indication of an intent to expand the Medicaid program to cover almost a million uninsured Florida adults under the Affordable Care Act. Despite the fact that expansion would cost the state virtually nothing next year, as well as enable the state to draw down almost ten dollars of federal funding for every state dollar invested over the next decade, the governor cited "unanswered questions" in

declining to take a position on the issue.

Contents of the Governor's 2013-14 HHS Budget:

In contrast with most of his prior pronouncements, the governor's budget documents refrain from unfairly blaming the HHS budget and Medicaid for "breaking the budget." This shift was facilitated by a considerably brighter revenue picture, as GR collections are considerably higher as a result of the progressing economic recovery. Specifically, the governor's budget calls for an increase of $2.3 billion in the use of GR budget-wide over the current year[1], and even that is considerably less than the $4 billion available. At the same time, the recession-fueled increases in the Medicaid caseload have slowed.[2]

Thus, although Medicaid is not a prime target in the governor's budget, the proposal includes little that would bolster the strained Medicaid system, which has faced cuts in each of the five previous regular legislative sessions. Overall, the share of GR appropriated to HHS under the Governor's proposal would decrease from 31 percent to 29 percent. In fact, only about 1 of every 12 new GR dollars are proposed for investment in the HHS budget (and that does not factor in the more than $50 million in proposed GR cuts from existing HHS programs and services discussed below). The situation is summarized in Table 1 below:

Table 1 – Key Facts Re: Governor's Proposed 2013-14 HHS Budget		
State General Revenue: HHS Budget vs. Total Budget	**2013-14 Governor's Proposed Budget[3]**	**2012-13 General Appropriations Act[4]**
General Revenue in **HHS** Budget	$7,854.2	$7,673.1
Change from Previous Year	+$181.1 (+2.4%)	
General Revenue in **Total** Budget	$27,092.5	$24,766.5
Change from Previous Year	+$2,326.0 (+9.3%)	
% of Total GR invested in HHS	29.0% (-2.0%)	31.0%

Breaking this down further, the recommended funding levels for the six state agencies responsible for the delivery of HHS-related programs and services, compared with actual appropriations for the current year are shown in Table 2 below:

Table 2 - General Revenue Invested in HHS by State Agency (in millions of dollars)		
Agency	**2013-14 Governor's Proposed Budget**	**2012-13 General Appropriations Act**
Agency for Health Care	$5,458.1	$5,076.3

Administration (AHCA)		
Department of Children and Families	$1,400.6	$1,393.1
Department of Health	$414.0	$398.9
Agency for Persons with Disabilities	$477.3	$472.6
`Department of Elder Affairs	$96.9	$316.8
Department of Veterans Affairs	$7.3	$7.3
Total HHS	**$7,854.2**	**$7,665.3**

Note: A significant portion of the increase in the AHCA (Florida's Medicaid agency) budget is linked to an offsetting decrease in the Department of Elder Affairs budget in anticipation of the launch of statewide Medicaid managed long-term care, which was approved by federal officials earlier this week.

Focusing specifically on the Medicaid budget, Medicaid services to children and adults (excluding long-term care) within AHCA would increase by $1.55 billion,[5] but the vast majority of that would be federally funded (almost half of the increase pertains to higher primary care reimbursement rates for primary care providers funded by the Affordable Care Act). By contrast, the net increase in GR in the Medicaid services budget was just $176 million, the majority of which is related to projected increases in baseline Medicaid cost and enrollment levels.

The HHS budget also contains more than $50 million in GR cuts to programs and services (see Table 3 below). Although the magnitude of the proposed HHS cuts is far less severe than those seen in previous years, they will have an adverse effect on vulnerable Floridians and the system in place to protect them, particularly when one considers the cumulative impact of all of these rounds of cuts. In addition, as noted above, such cuts are unnecessary given the state's improved revenue picture.

Table 3 – Key Proposed HHS Cuts in Governor's Recommended Budget[6]

Health Care Program or Service Proposed for Cut	General Revenue "Saved" (in millions)	Federal and Other Funds Lost	Total Reduction	Description of Proposed Reduction
Hospitals	$43.5	$115.9	$159.4	-Reduce Medicaid inpatient payment rates by 2% (excluding children's and rural hospitals) -Impose additional Medicaid cuts due to loss of non-recurring funding
County Health Department Clinics	$3.7	$5.4	$9.1	Reduce Medicaid payment rates by 5%
Podiatry Services for Adults	$1.1	$1.6	$2.7	Eliminate this "optional" Medicaid benefit

Chiropractic Services for Adults	$0.3	$0.4	$0.7	Eliminate this "optional" Medicaid benefit
Restrictions on Adults' Access to Hospital Emergency Rooms, Physician Services, Home Health Care	$2.6	$3.6	$6.2	Extract additional "savings" by extending cuts in Medicaid services that went into effect at some point during the current budget year for a full 12 months next year.
Epilepsy Services	$6.1	$1.4	$7.5	Eliminate client services, including case management, medical follow-up, laboratory testing, vocational assistance and psychological services
Total	**$57.3**	**$128.3**	**$185.6**	

Other HHS-Related Issues Addressed in the Governor's Budget:[7]

- Despite the recommended cuts, increases were proposed for at least three Medicaid-funded programs:
  - $10.0M in general revenue (GR) to allow 750 individuals with developmental disabilities currently on the "DD Waiver" waiting list to access home- and community-based services, which would be the first such action to reduce the waiting list in 8 years.
  - $15.0M in GR to serve 2,000 seniors and people with disabilities at-risk for nursing home placement currently on the waiting lists for the Aged and Disabled Adult Waiver and Nursing Home Diversion programs to access home- and community-based services.
  - $11.5 in GR to provide 700 additional slots in the Statewide Medicaid Residency Program to increase Medicaid provider capacity in the shorter term as well as the supply of Florida physicians in the longer term.
- Recognition that the Affordable Care Act is the law of the land and that the state will comply with it. As a result, some mandatory ACA provisions were funded in the proposed budget, including:
  - An increase in the Medicaid income eligibility limit for school-age children from 100 to 133[8] percent of the federal poverty level (i.e., the ACA's mandatory Medicaid expansion for children, which was unaffected by the June Supreme Court decision).
  - An increase in the severely deficient Medicaid reimbursements rates paid to primary care providers to Medicare levels (100% federally funded under the ACA).
  - Funding to offer health insurance to 7,000 state temporary (OPS) workers in 2014 under the ACA's employer responsibility provisions.

- $13.5 million in additional GR to offset the health insurer tax that will be levied on for-profit insurers, including Medicaid managed care plans. This tax was part of the compromise struck by health-related industries when Congress passed the ACA. Instead of first determining whether plans will remain sufficiently profitable after paying the tax, the governor's proposal passes 100% of the cost directly on to taxpayers.

- $48.0 million in additional GR based on the dubious assumption that 75,000 Floridians who are eligible for but not enrolled in Medicaid will sign up in January 2014,[9] despite being exempt from any penalty for not obtaining health insurance.

Not addressed in the governor's budget are some less well-known but nevertheless mandatory elements of the ACA. For example, the state must also make youth who have aged out of the state foster care system eligible for Medicaid up to age 26 (other young adults can already remain on their parents' coverage until age 26), but this is not included in the proposed budget.

- Elimination of the Subscriber Assistance Panel that provides an opportunity for Medicaid and commercial HMO enrollees who have exhausted their appeals of denied claims, despite minimal savings to the state.

Some HHS-Related Issues NOT Addressed in the Governor's Budget:

- Any definitive recommendation regarding the expansion of the Medicaid program by increasing the income limit for most Floridians to 138 percent of the federal poverty level, as provided for by the ACA. Medicaid expansion for adults effectively became optional as a result the U.S. Supreme Court's June decision, which upheld the constitutionality of the law in full, but also ruled that states that choose not to expand would not place federal funding for their existing Medicaid programs at risk. However, failure to commit to Medicaid expansion would leave almost a million low-income Floridians uninsured and without access to meaningful coverage, despite the fact that the state would only need to contribute a few cents on the dollar. At the same time, that investment would leverage more than $20 billion in federal funding over 10 years, providing a stimulus for Florida's economy and for service sector employers in particular.[10]

- Any reference to the state's role in the development or operation of a Health Insurance Exchange or implementation of other ACA-related insurance reforms set to take effect in 2014. Florida will default to a "Federally Facilitated Exchange", at least for 2014, so this was not unexpected, although the state will have some responsibilities related to implementation regardless.

- Acknowledgement of some less well-known but nevertheless mandatory elements of the ACA. For example, the state must also make youth who have aged out of the state foster care system eligible for Medicaid up to age 26 (other young adults can already remain on their parents' coverage

until age 26), but this is not included in the proposed budget.[11]

- Any reference to eliminating or restricting eligibility for programs that serve the most vulnerable.

- Florida adults, although the ACA's "Maintenance of Effort" protections preventing such action may expire in 2014. In particular, the Medically Needy (Share of Cost) component of Medicaid, which perennially faces the threat of cuts, could be expected to come under fire with the availability of coverage through the Exchange. Eligibility for pregnant women with incomes between 150 percent and 185 percent of the poverty level could potentially be imperiled as well. Eligibility for both groups were already targeted in a hypothetical 2013-14 state budget-cutting exercise.[12]

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Ultimately, the governor's recommendation is in fact just that, with the final, detailed decisions to be hashed out by the legislature. As a starting point for those deliberations, the proposed 2013-14 budget avoids placing vulnerable Floridians who rely on the health and human service safety net in a deep hole. However, the governor misses the opportunity to use the availability of increased revenue to not only fully sustain existing programs and services, but also to reverse previous cuts and strengthen Florida's families and economy by seizing the opportunity to expand Medicaid.

This report was researched and written by Greg Mellowe.

Endnotes

1 This and other year-to-year comparisons based on review of Governor Rick Scott, Proposed 2013-14 Budget, Governor's Recommended 2013-14 Appropriations Bill, February 2013, and Chapter 2012-118, Laws of Florida (2012-13 General Appropriations Act [GAA]).

2 See Florida Legislature, Office of Economic and Demographic Research (EDR), Social Services Estimating Conference (SSEC), Medicaid Caseloads, November 2012, p.2

3 See Governor's Recommended 2013-14 Appropriations Bill, p.341

4 See 2012-13 GAA, p.411

5 Proposed changes to specific line item appropriations based on various queries of Governor Rick Scott, Proposed 2013-14 Budget, Agency Budgets, February 2013

6 Governor Rick Scott, Proposed 2013-14 Budget, Budget Summary

7 Governor Rick Scott, Proposed 2013-14 Budget, Florida Families First – FAQ, February 2013, pp.9-10

8 After factoring in a universal 5% income disregard from the eligibility determination calculation, the effective income limit will in fact be 138 percent of the poverty level, as commonly.

9 Estimated number of enrollees derived by dividing the recommended appropriation amount by the estimated weighted per person per month cost per "already eligible but not enrolled" Medicaid recipient in 2013-14, per

EDR, SSEC, Affordable Care Act Estimates, December 2012, p.15, multiplied by the state Medicaid match rate (i.e., 1-FMAP).

[10] FCFEP, Political Rhetoric - Not Fiscal Reality – Drives Up Estimates of Medicaid Expansion Cost, January 2013, p.4

[11] See section 2004, Patient Protection and Affordable Care Act

[12] See Agency for Health Care Administration, 2013-14 Legislative Budget Request, Schedule VIIIB-2, pp.12-