FLORIDA CENTER FOR FISCAL AND ECONOMIC POLICY

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Staying Afloat:

With Ocean of Need, Legislature's HHS Budget for 2016-17 Provides Some Buoys, But Rejects Prime Opportunity to Add Rescue Ships and Lighthouses

Unlike last year, the 2016 regular session of the Florida Legislature adjourned on time, with House and Senate agreeing on a budget for the upcoming year. In 2015, the disagreement over whether or not to accept what would have been a 100 percent federally funded extension of health coverage to as many as 800,000 uninsured, very low-income Floridians pushed the 2015 session into overtime. This year, however, Medicaid expansion and its potential benefit to Florida's businesses, families and taxpayers were barely discussed. Instead, House and Senate entered the budget negotiation process with similar proposals and the intent to avoid another impasse.

The result, the 2016-17 General Appropriations Act[1], includes some small but important efforts to address Floridians' unmet health care and human service (HHS) needs. In the larger picture, however, the 2016-17 HHS budget is best viewed as a series of missed opportunities that will create additional unmet need, particularly given the record amount of available state general revenue (GR).

HHS Budget Overall

Of the total $82.3 billion budget, $34.3 billion is earmarked for health and human services (HHS). The total HHS budget includes the funding for six state agencies: the Agency for Health Care Administration (AHCA), the Department of Children and Families, the Department of Health, the Agency for Persons with Disabilities, the Department of Elder Affairs and the Department of Veterans' Affairs.

As expected, the 2016-17 budget compromise ignored the opportunity to extend coverage to up to 800,000 uninsured, non-elderly workers, parents, disabled individuals and others with incomes below or near the poverty line, and to do so with no additional investment of state funding.

Restricting the focus to the AHCA budget, most of which is dedicated to operating the Medicaid program that provides the health coverage safety net for approximately 4 million of the poorest and sickest Floridians, a total of $26.6 billion was appropriated. That amount represents a 4.6 percent increase over the current year. However, only a fraction of that amount – $9.5 billion – is funded with state general revenue (GR) – reflecting the fact more than 60 cents of every dollar funding the Medicaid program consists of already-paid federal taxes returned to the state.

Medicaid Budget Increase Attributable to Substantially Higher Payments to Managed Care Plans

Despite the longstanding controlled growth in program spending, the budget calls for Medicaid to absorb the largest share of GR collections (21.5 percent) since the start of the recession.[2] Not coincidentally, with the implementation of Statewide Medicaid Managed Care, the majority of the Medicaid budget is now paid to HMOs and other managed care plans.

In particular, although total enrollment in Florida Medicaid is expected to increase by 6 percent next year[3], the amount paid to HMOs and other managed care plans in the Managed Medical Assistance (non-long-term care) component of Florida Medicaid will increase by up to[4] **12 percent.**[5] This represents a massive one-year increase of $1.5 billion, $679 million of which will be state GR. The increase casts doubt on the legislature's entire premise that managed care plans, most of which are for-profit concerns that answer to shareholders or investors, can constrain Medicaid spending without jeopardizing access to or quality of care. Indeed, AHCA reported that 28 percent of recipients in Managed Medical Assistance received no services at all through their plans during the most recent reporting year.[6] Yet under capitation, the cornerstone of Florida's Medicaid managed care experiment, plans receive a fixed monthly payment even if they provide no services.

Opportunity to Cover 800,000 Uninsured Floridians While Reducing the Overall Medicaid Budget Again Squandered

As expected, the budget compromise ignored the opportunity to extend coverage to up to 800,000 uninsured, non-elderly workers, parents, disabled individuals and others with incomes below or near the poverty line, and to do so with no additional investment of state funding. Although Florida would have been expected to fund 2 to 2½ percent of the total cost of providing coverage to the newly eligible in 2016-17, that cost would have been fully and directly offset by state savings. In particular, the state would have saved at least $200 million in state GR (far more than the total GR cost of expansion), had more than 25,000 recipients who receive limited coverage through the Medically Needy program switched to full coverage under expansion.[7] Furthermore, recent increases in the Federal Medical Assistance Percentage (FMAP), the federal share of Medicaid program costs, in Florida's existing Medicaid program would more than fully offset the state cost of expansion for years to come.[8]

By contrast, $10 million is appropriated for free clinics, which in some sense serve as the last level of the health care safety net. These organizations play a critical role in caring for the uninsured on a shoestring, especially through the efforts of medical professional volunteers, but they do not remotely substitute for the coverage that many of the newly eligible would have received had Medicaid been expanded. In particular, access to many diagnostic services, specialty care, hospitalization and other critical services usually remain out of reach without actual coverage. Low-income Floridians, particularly in rural and underserved areas, also face the prospect of reduced access to reproductive health services given the legislature's imposition of a ban on receipt of virtually any form of public funding, including Medicaid funding for critical preventive services.[9]

Loss of Supplemental Hospital Funding Further Strains Medicaid

The legislature's refusal to extend Medicaid coverage also resulted in the loss of extra funding for hospitals that the state has received for the past decade as part of the federal waiver authorizing Florida's experiment requiring most recipients to enroll in managed care plans. Because Medicaid expansion would have addressed the issue of hospital funding far more comprehensively, the extra funding can no longer be justified, and so the loss of this supplemental funding, known as the Low Income Pool, will reduce Medicaid payments to hospitals by $400 million in 2016-17. The budget places most of the strain of that loss on local governments and the hospitals themselves, although hospitals with patients who are more likely to be medically indigent will face less severe reductions. The full impact of this shift on the Medicaid safety net will not become clear until the new budget year is well underway.

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Small but Key Children's Coverage Expansion Approved

On a smaller but important note of contrast, the 2016-17 budget funds (and language in a conforming bill that accompanies the budget authorizes[10]) the provision of coverage to low-income children lawfully residing in the U.S. for less than five years through the Florida KidCare program. Although Congress has given states the option of eliminating the five-year waiting period that applies to federally funded assistance in the interest of children's health, the legislature has declined to do so until now. In addition, the Affordable Care Act increased the federal share of the cost of covering these children to 96 percent. Consequently, after factoring in savings associated with current spending on emergency care for these children, the 17,000 children projected to enroll next year will be able to do so with *no* additional investment of GR dollars.[11]

Additional Investment in Mental Health Will Alleviate but by No Means Eliminate the Crisis

Florida's publicly financed mental health system, devastated by more than a decade of eroding state investment, was on the legislature's radar this year. An infusion of more than $50 million in additional state funding will boost the capacity of the community mental health system, improve housing and employment outcomes for individuals with mental illnesses, and better address the needs of the hardest to serve. Of particular note is the $10 million allocated for staffing and surveillance at state mental hospitals, reversing a portion of prior cuts that had resulted in severe understaffing, which in turn precipitated a marked upswing in violence at the facilities.

However, more than half of the additional funding is non-recurring (i.e., one-time) dollars, and more than double that amount would be needed simply to restore mental health funding to 2001 levels.[12] Moreover,

Medicaid expansion would have provided an even greater infusion of resources into the community mental health system, at no net cost to the state.

Other Targeted Increases to Address Deficits in Medicaid

Legislators provided new (i.e., above the current baseline) funding to serve an additional 1,350 (out of about 20,000[13]) individuals with developmental disabilities on the I-Budget waiting list, to serve 570 seniors on waiting lists for long-term care services, and to increase reimbursement rates for some providers, particularly those not traditionally part of Medicaid Managed Care.

Some "Free Market-Driven Solutions" Pass, but Have Limited Potential to Boost Access to Quality Care

Although not directly related to the HHS budget, a number of initiatives were promoted by House leadership as free market-driven improvements to the health care system and even as purported alternatives to Medicaid expansion. Several of these proposals (increased health care pricing transparency, prescribing authority for ARNPs and PAs, and broadening of the practice of telemedicine) crossed the finish line, albeit diluted from their original versions. Those that did pass have the potential to benefit consumers to some extent. However, their overall effect on access, cost and quality will be indirect and limited, particularly in the near term. No one, particularly low-income and uninsured Floridians, would directly gain coverage through of any of these initiatives.

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Endnotes

1 The 2016-17 General Appropriations Act (Conference Report for HB 5001) was approved by the Governor on March 18, 2016 with line-item vetoes. Chapter number assignment in the Laws of Florida (L.O.F.) is pending as of this writing.

2 Calculated based on Florida Legislature, Bureau of Economic and Demographic Research (EDR), Social Services Estimating Conference (SSEC), Medicaid Long-Term Forecasts, January 2016 and January 2012; EDR, Revenue Estimating Conference (REC), Long Term Revenue Analysis, November 2015; and EDR, REC, General Revenue Fund – Financial Outlook Statement, January 2016

3 Calculated using EDR, SSEC, Medicaid Caseloads Summary, December 2015, p.1

4 The increased amount to be paid to managed care plans includes Low Income Pool funding shifted to local governments, hospital taxing districts, etc.

5 Based on a comparison of corresponding specific appropriations from the 2015-16 and 2016-17 General Appropriations Acts

6 Florida Agency for Health Care Administration, Quarterly Statewide Medicaid Managed Care Report, Summer 2015, p.4

7 EDR, Impact Analysis: LIP, IGTs and SB 2512 (Presentation to Florida Senate Appropriations Committee), April 21, 2015, p.15

8 For a detailed explanation of this topic, see FCFEP, Paid for and Never Redeemed: State Savings in Florida's Medicaid Program Due to Floridians' Lagging Incomes Are More Than Sufficient to Fund the Extension of Coverage to 800,000 Uninsured, Low-Income Adults , February 2016

9 See section 2 of CS/CS/HB 1411, which passed the House and Senate and as of this writing awaits consideration by the Governor.

10 See sections 5-7 of Ch. 2016-65, L.O.F.

11 Florida House of Representatives, Health and Human Services Committee, Staff Analysis for CS/HB 89, February 2016, pp.5-6 (although HB 89 did not pass, the substance was included in HB 5101; see Ch. 2016-65, L.O.F.)

12 Florida TaxWatch, Analysis of Florida's Behavioral Health Managing Entity Model, March 2015, pp.16-17

13 See, e.g., Florida Agency for Persons with Disabilities, The Champion (E-Newsletter), October 2015