




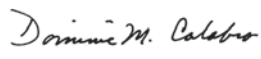
Dear Fellow Taxpayer,

The following guide is a resource to enhance your understanding of Florida's Medicaid program.

Our Governor, Legislature, and policy experts broadly agree on the need for changes in Medicaid to cost-effectively preserve and enhance the quality of medical services for Florida's most vulnerable people. A pilot project underway in 2006 needs informed citizen discussion and debate to help assure that changes being tested produce savings and cost stability, while preserving and enhancing the quality of medical services to Floridians.

Respectfully,

 Michael A. Jennings  
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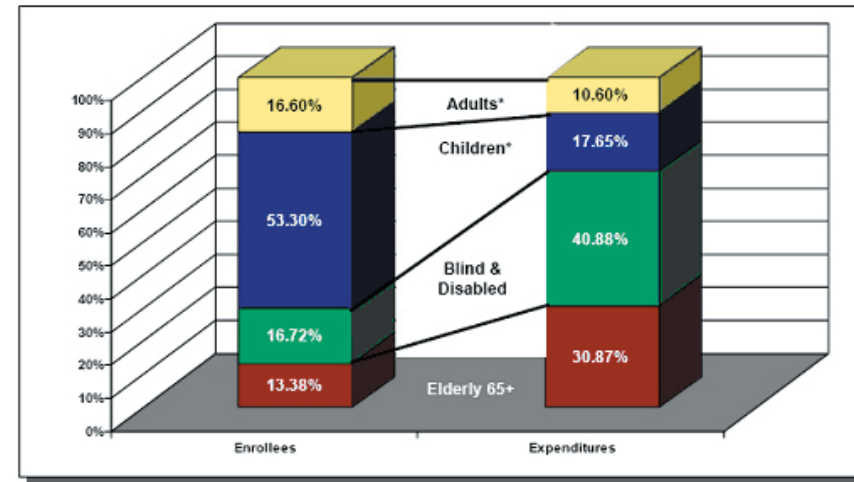
### Medicaid Began Four Decades Ago

Medicaid was created by Congress in 1965 to provide health care coverage to lower income, disabled, and elderly populations. The state of Florida administers this program under federal guidelines that provide options concerning the types of medical services covered, who is covered, and whether to charge recipients a share of costs (also known as a co-payment).

Florida Medicaid currently consists of:

- ▶ Insurance for low-income, uninsured children, parents, and pregnant women;
- ▶ A long-term care program for people with chronic disease or disabilities; and
- ▶ A supplement to Medicare coverage for low-income people.

### Medicaid Enrollees and Their Share of Costs 2003–2004



\* Adults and children refers to non disabled adults and children.

Source: Florida Medicaid, Presentation to the Florida State University Medical School by Thomas W. Arnold, Deputy Secretary for Medicaid, Florida Agency for Health Care Administration, October 24, 2005.

Medicaid serves all low-income people who qualify through a means test, but most of the services go to the disabled, blind, and elderly, who collectively represent 30% of total Medicaid enrollees and account for 72% of the costs. Low-income, non-disabled adults constitute just 17% of enrollees and 11% of costs. Well over half of the enrollees are children who account for about 18% of costs.

### Medicaid Costs Continue to Increase

Florida's \$15 billion plus Medicaid program, which consists of 59% federal and 41% state funds, covers over two million people, including more than one-fourth of our children, two-fifths of pregnant women, and half of people with AIDS. The program pays for three-fifths of patient days in Florida nursing homes. Our state is expected to face big increases in the number of Medicaid recipients as baby boomers retire. Florida's aging population will rise dramatically in the next two decades. By 2030, it is projected that there will be a total of nearly seven million Floridians age 65 and older, many of whom will need long-term care.

Most of the rapidly increasing costs have, to date, been borne by the federal government. Total spending from all revenue sources on Florida's Medicaid program increased an average of 13.5% annually between 1980 and 2004 versus average annual growth of 8.8% in the entire state budget. Medicaid cost is expected to rise significantly if the current trend continues. Clearly, action is needed by the U.S. government and the state of Florida to slow down the rate of spending.

There is also an urgent need to reform Florida long-term care programs for seniors. With a 30% share, the long-term care cost in Florida is the largest single expenditure category in the Medicaid budget. This share will climb higher with an increasingly aging population.

## Reform Initiative Puts Florida on the Cutting Edge

Governor Jeb Bush signed a reform bill in June 2005 that aims to contain Medicaid costs while providing greater individual choice. This reform has attracted national attention because of its potential statewide application and effects on Florida's diverse Medicaid population.

Medicaid costs have risen for many reasons, but stem from a lack of incentives for recipients to avoid unnecessary services and for health care providers to pursue cost-effective treatment and service modalities. The essence of this reform is to shift more of the cost risk to competing managed care networks that are willing to accept higher cost responsibility in exchange for making a profit. These entities will coordinate many aspects of health care services, including finding medical professionals who accept Medicaid and functioning as a gateway before participants receive services from providers. Insurance carriers will compete for participants by offering a wider and more attractive array of services.

Florida's Medicaid reform initiative seeks to encourage providers to steer participants to more cost-effective treatment options, eliminate unnecessary treatments and prescriptions, and reduce program expenditures without compromising the quality and scope of services.

Under the reform, consumers will be rewarded for healthy, cost-effective behaviors, such as pre-natal care, childhood wellness visits, annual vision and dental exams, alcohol and drug treatment, smoking cessation, and weight loss programs. A pilot project was initially approved for Medicaid-eligible groups in Broward and Duval counties. During the 2005 Special Session, the Legislature authorized

the expansion of Medicaid Reform to Baker, Clay, and Nassau counties. The expansion of Medicaid Reform is expected to take place during July 2007 in these counties. The statewide expansion of the program will require legislative approval after the pilots, which could occur as early as 2009. Reforming the Medicaid system is a very difficult and complicated task, because the program is very large and complicated. Therefore, it is important to have sufficient public debate and appropriate legislative oversight, as well as unbiased scientific studies on the pilots, as the Florida Agency for Health Care Administration (AHCA) develops the details of the reform and implements it in pilot counties.

There is also another Medicaid reform pilot program called Florida Senior Care (FSC). FSC is part of the broader Medicaid reform promoted by Governor Bush in early 2005. The pilot program shifts Medicaid to a privatized long-term care program in northwest and central Florida for Medicaid-reliant seniors age 60 or older. The implementation of FSC pilots is currently pending legislative approval.

### Thoughtful Action Is Needed

Medicaid is the cornerstone of the state's system to help Florida's most vulnerable people. However, the program clearly is not sustainable as currently operated. Reform is difficult because the program is large and complicated. While policy experts agree on the need for Medicaid reform, there are concerns that changes being tested in the pilot project may not produce savings and cost stability without serious reductions in services or degradation of health outcomes. Thus, public debate and legislative oversight are critical if Florida is to set an example for the nation by implementing reforms that cost-effectively preserve the quality of medical services.

Florida  
TaxWatch



### Mission

To provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida Government.

### Values

Integrity  
Productivity  
Accountability  
Independence  
Quality Research

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## Taxpayer's Guide to

# Florida Medicaid

