

# **Medicaid Waiver Briefs: Potential Impact of a Section 1115 Medicaid Waiver on Duval County, FL**

*Presented by the  
First Coast Coalition for the Uninsured  
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## ***Introduction***

***The First Coast Coalition for the Uninsured's*** mission is to champion health care coverage and access to health care for uninsured people in Duval County. The Coalition's commitment includes monitoring and disseminating information to the public and policymakers about issues related to the impact of being uninsured, and the realities faced by people without health care coverage and/or access to health care in Duval County. Toward this end, the Coalition is distributing the enclosed set of policy briefs on a proposed "Section 1115" Medicaid Waiver for the state of Florida

A "Section 1115" Medicaid waiver allows any state to conduct experimental, pilot, or demonstration projects which assist in promoting the objectives of Medicaid. It allows a state to test new ideas. Florida is considering a waiver application that would privatize much of Medicaid and cap expenditures. This 1115 Medicaid waiver could not only affect those with Medicaid coverage and those struggling without health insurance, but also many people in the county who rely, perhaps unknowingly, on the federal dollars brought in through the Medicaid program for jobs, income and other economic benefits.

These briefs were developed by the Duval County Health Department's Institute for Health, Policy and Evaluation Research. The Institute prepared the analysis in response to community requests for Duval County-specific data related to the projected impact of the 1115 waiver on Florida that was presented by national experts. Projections are based on the methods use by the national experts and are neither endorsed nor disputed by the Institute. The Institute regularly analyzes data for community agencies upon request.

These eight briefs outline the key features of Florida's Medicaid program as well as the potential impact on Duval County of a waiver that could alter the funding and administration of the state's Medicaid program.

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## ***1115 Waiver Brief #1: Medicaid Basics***

Medicaid is a national health care program created in 1965. The objectives of the program are to:

- Provide broad health care coverages to certain lower income populations;
- Offer special community-based coverages for certain disabled and elder populations;
- Extend supplemental coverage to lower income Medicare beneficiaries; and
- Offset the high costs of institutional care for lower and moderate income Floridians.<sup>1</sup>

Eligibility is strict and uses income and assets to determine eligibility. Medicaid is available to the following groups if they (or their family) earn low income: 1) parents, caretaker relatives and pregnant women 2) children and teenagers, 3) aged (elderly), and 4) blind or disabled persons.

The Medicaid program is funded by state and federal funds. In Florida, 62% of Medicaid costs are paid with federal dollars. Matching federal funds are contingent upon the state’s continued compliance with the federal laws and regulations.<sup>2</sup> All states must provide the following services to their Medicaid enrollees:<sup>1</sup>

Advance Nurse Practitioner Services	Hospital Outpatient Care	Portable x-ray services
Early and Periodic Screening, Diagnosis and Treatment of Children (EPSDT)	Independent Lab	Rural Health
Family Planning	Nursing Facility	Transportation (in limited cases)
Home Health Care	Nurse Midwife Services	
Hospital Inpatient Care	Physician Services	

Each state also can provide optional services. Florida has chosen to provide 30 services in addition to the 15 mandatory services. Some of those 30 include:

Community Mental Health	Hospice Care	Primary Care Case Management
County Health Department Clinic Services	Physical Therapy	School-based Services
Healthy Start Services	Prescribed Drugs	State Mental Hospital Services

Not all providers accept Medicaid. However, if a provider does, they must accept Medicaid payment as payment in full. Medicaid has a set fee for each individual type of service. A recent study has shown that Medicaid reimbursement remains too low to be a feasible payer option for some providers. Decreasing medical reimbursement will make the problem worse and could make it much harder for Medicaid recipients to get quality health care.<sup>3</sup>

<sup>1</sup> Agency for Health Care Administration “A Snapshot of Florida Medicaid” [www.fdhc.state.fl.us/Medicaid/](http://www.fdhc.state.fl.us/Medicaid/)

<sup>2</sup> Agency for Health Care Administration “Florida Medicaid Summary of Services, FY 2003-2004” July 2003.

<sup>3</sup> Stephen Zuckerman, Joshua McFeeters, Peter Cunningham, and Len Nichols. “Changes In Medicaid Physician Fees, 1998– 2003: Implications for Physician Participation” Health Affairs 23 June 2004.

### **Medicaid vs. Medicare**

Medicaid is often confused with *Medicare*, the other federal program which provides hospital and medical insurance for adults 65+ or to those under 65 but who have end-stage renal disease or are disabled, regardless of their income.

- Eligibility for Medicaid depends on age, disability or family status *and* on an individual's (or family's) income and resources; while eligibility for Medicare depends on age or disability only.
- Benefits under Medicaid and Medicare vary, for example, Medicaid covers nursing home care while Medicare does not (or only does on a very limited basis).
- State and federal governments fund Medicaid, and its optional benefits vary from state to state. Medicare is funded entirely by the federal government and its benefits are the same in all 50 states.
- Medicaid has income limitations; Medicare does not. This means that Medicaid is a "means tested" program.

### **Containing Costs of Medicaid through Waivers**

The federal government has made minor changes to the basic structure of the Medicaid program since its inception 40 years ago. Meanwhile, states have a number of options to modify the program, including a waiver process that allows substantial departures from the initial federal requirements of the Medicaid program and states have shown heightened interest in waiver activity in recent years. The federal government has implemented various changes to the Medicare program over the past 40 years, most recently with the addition of a national prescription drug benefit.

Currently, the state of Florida is considering a number of changes to its Medicaid program in an attempt to contain costs. There are several options for states trying to contain costs:

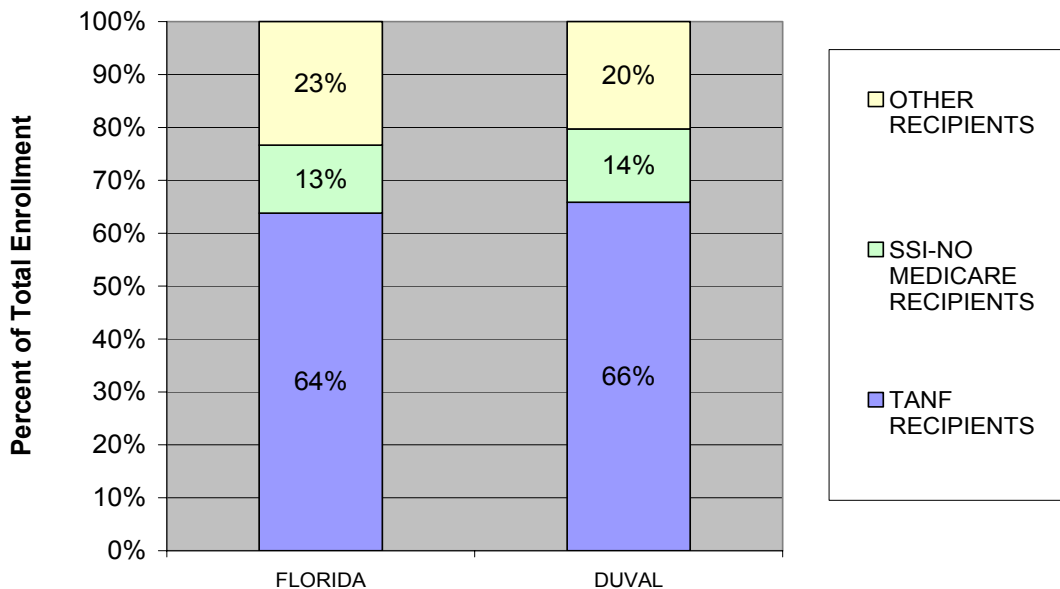
- decrease provider reimbursement
- adjust eligibility requirements (within limits)
- modify or decrease the number and type of optional services the state provides, or
- apply for a waiver to enable a state to make more substantial changes to the structure of the Medicaid program.

Florida currently has 13 waiver programs, which allows the state to modify its Medicaid program in various ways.

## 1115 Waiver Brief #2: Duval County Medicaid Enrollees

The demographics of Duval County’s Medicaid enrollees seem to mirror closely those of the state of Florida. Current enrollment data from June 2004 was obtained from Florida’s Agency for Health Care Administration (AHCA), the state agency that develops and carries out policies related to the Medicaid program. In June 2004, Duval County had 99,297 Medicaid enrollees. This is approximately 4.8% of Florida’s 2.1 million Medicaid enrollees, down from 5.1% in 2001.<sup>4</sup> Those who are eligible for Medicaid can be classified by various characteristics such as age, employment status, marital status, income level, and disability status, categories by which eligibility is determined. The graph below shows Duval County’s Medicaid recipients are very similar to the state’s recipients.

**Florida vs. Duval County on Enrollment by Enrollee Type - TANF, SSI, and Others (Based on June 2004 Data on the State and County)**



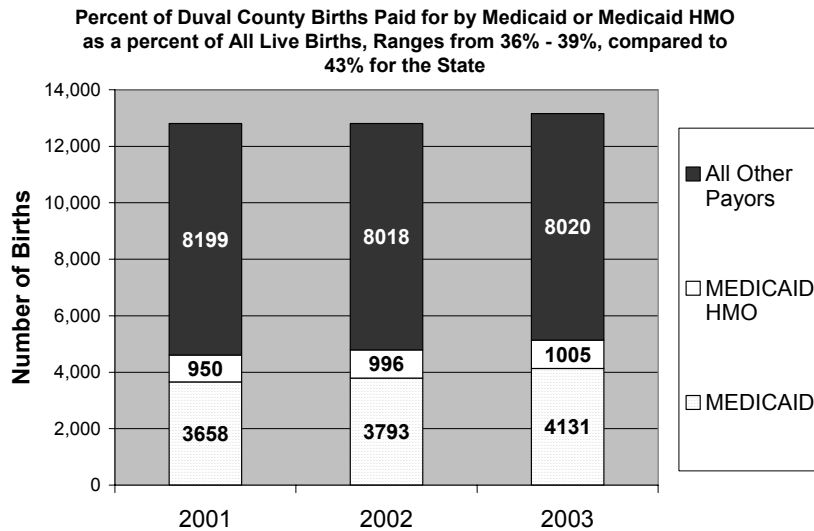
What are SSI and TANF?

“SSI” stands for Social Security Income recipients. SSI is a Federal income supplement program funded by general tax revenues (not Social Security taxes). It is designed to help aged, blind, and disabled people, who have little or no income and it provides cash to meet basic needs for food, clothing, and shelter. Source: [www.ssa.gov/notices/supplemental-security-income/](http://www.ssa.gov/notices/supplemental-security-income/)

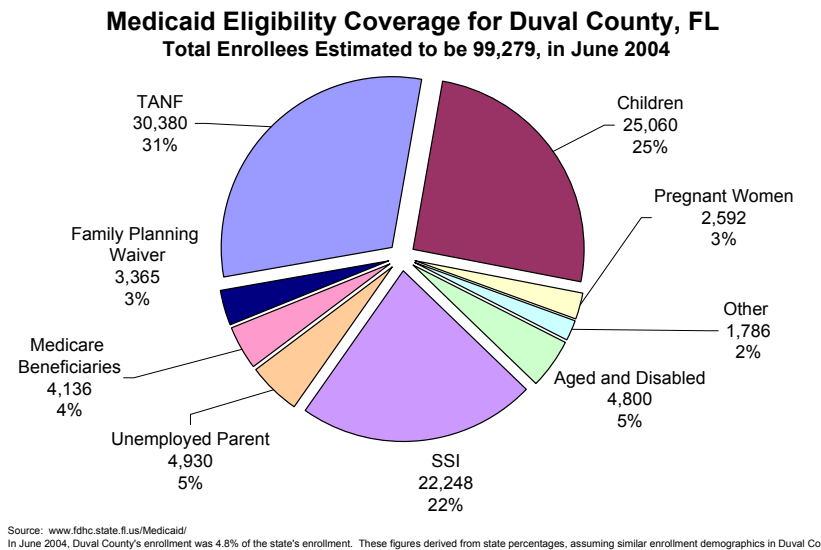
“TANF” stands for Temporary Assistance to Needy Families, which is a program that provides assistance and work opportunities to needy families. The federal government grants states federal funds and wide flexibility to develop and implement their own welfare programs. Source: [www.acf.dhhs.gov/programs/ofa/](http://www.acf.dhhs.gov/programs/ofa/)

<sup>4</sup> Agency for Health Care Administration Website <http://www.fdhc.state.fl.us/Medicaid/MediPass/reports.shtml>

It is estimated that 43% of all Florida births are paid for by Medicaid.<sup>5</sup> Duval County data shows a similar percentage ranging from 36% to 39% (2001-2003) of all births in the county being covered by Medicaid.<sup>6</sup>



In the pie chart below, Duval County’s Medicaid enrollees are divided by eligibility categories, “TANF” and “Children” being the two largest sub-groups. It is important to note there are children contained in the TANF counts, since TANF is a cash assistance program for children and their families with low income. Those who qualify for TANF automatically qualify for Medicaid, although that does not mean they are automatically enrolled; the recipients must enroll themselves in the Medicaid program. There is a separate piece of the pie chart designated only for children. These children often exceed the income limits of TANF, but qualify for Medicaid on their own (without their parents) based on other criteria.



<sup>5</sup> Agency for Health Care Administration, Hospital Inpatient Discharge Data Files.

<sup>6</sup> Agency for Health Care Administration, Hospital Inpatient Discharge Data Files extracted August 20, 2004.

Medicaid is a “means tested” program, which means that measures of income and assets are used to determine eligibility for Medicaid benefits. As a general guide, those who determine eligibility use specific percentages of the federal poverty level (FPL) to determine if particular groups (children, pregnant women, aged, blind and disabled) are eligible for Medicaid benefits. Listed below is the 2004 FPL:

<b>2004 Health and Human Services Federal Poverty Levels<sup>7</sup></b>	
Size of Family Unit	48 Contiguous States and D.C.
1	\$ 9,310
2	12,490
3	15,670
For each additional person, add:	3,180

The FPL levels used to determine eligibility for various groups are listed in the chart below:

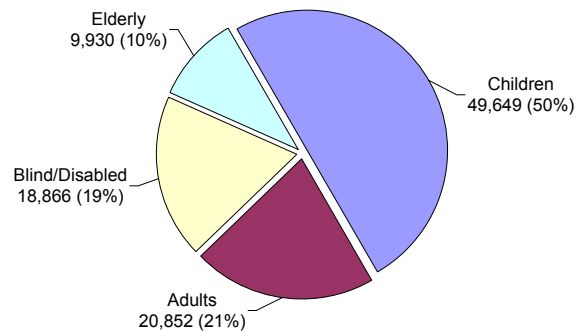
**Income Eligibility Levels for Medicaid Enrollment Groups as a Percent of FPL for 2000, 2001, and 2003**

Enrollment Group	FPL%
Pregnant Women	185
Non-Working Parents	24
Working Parents	63
Supplemental Security Income	74
Aged, Blind and Disabled (OBRA '86)	90
Medicaid Infants Ages 0-1	200
Medicaid Children Ages 1-5	133
Medicaid Children Ages 6-19	100

<http://www.statehealthfacts.org> Kaiser Family Foundation

Fifty percent of all Florida Medicaid recipients are children. Based on this, we can estimate that 50% of Medicaid enrollees in Duval County are children as well. These children could qualify for Medicaid on their own or with their families through the Temporary Assistance to Needy Families (TANF) program.

**Enrollees in Medicaid in Duval County**  
(Based on State Percentages from CMS 2001 Data and June 2004 Duval County Enrollment Total, 99,297)



<sup>7</sup> *Federal Register*, Vol. 69, No. 30, February 13, 2004, pp. 7336-7338. US Department of Health and Human Services <http://aspe.hhs.gov/poverty/04poverty.shtml>

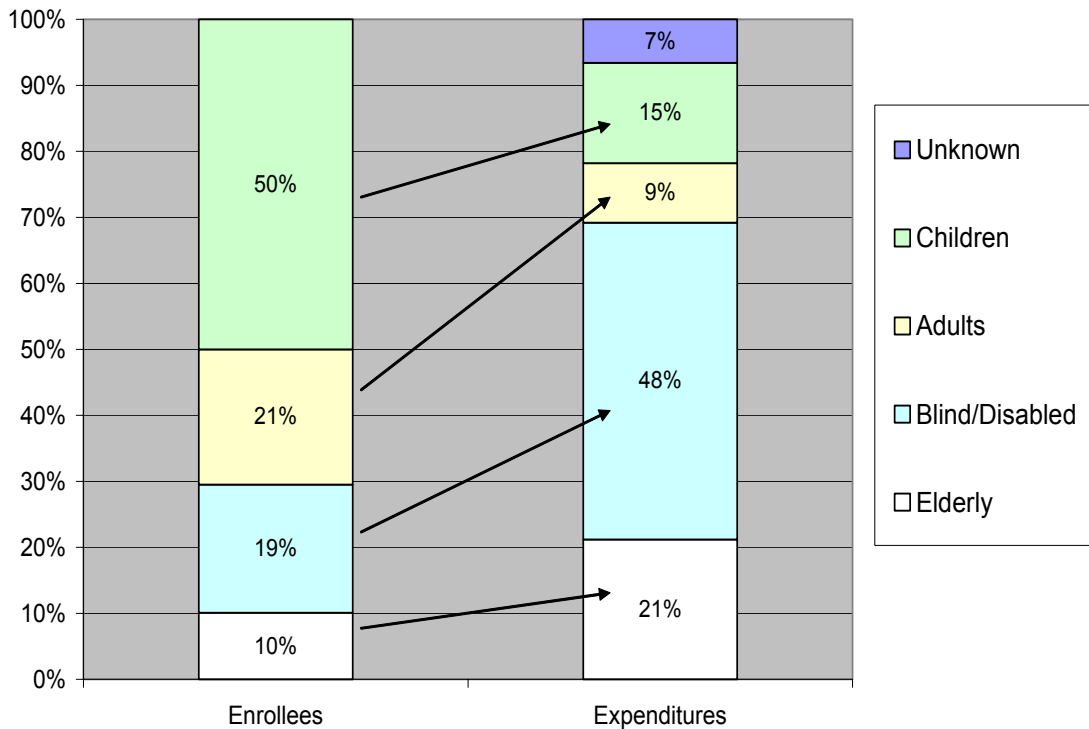
### 1115 Waiver Brief # 3: Enrollment and Expenditures by Beneficiary Type

The four low-income groups eligible for Medicaid benefits are: 1) adults (usually pregnant women), 2) children and teenagers, 3) aged (elderly), and 4) blind or disabled persons.

Children make up 50% of the all Medicaid enrollment in Florida, but account for only about 15% of Florida’s Medicaid expenditures. Adults on Medicaid make up 21% of those enrolled and account for 9% of expenditures. Forty-three percent of all births in Florida are covered under the Medicaid program<sup>8</sup> – in Duval County 39% of all births were paid for by Medicaid. The two groups representing the smallest proportion of Medicaid enrollees, blind or disabled and the elderly, constitute 29% of the enrollment population, yet account for 69% of all Medicaid costs in Florida, due to their special health care needs. We can estimate, based on similar enrollment (see Brief #2), that like expenditures occur in Duval County.

#### Florida's Medicaid Enrollees and Expenditures, 2001

Alker, J. "Florida's Medicaid Waiver: What Could It Mean" Georgetown Health Policy Institute. Presentation on August 11, 2004.  
Data from Centers for Medicare and Medicaid Services MSIS data, 2001.



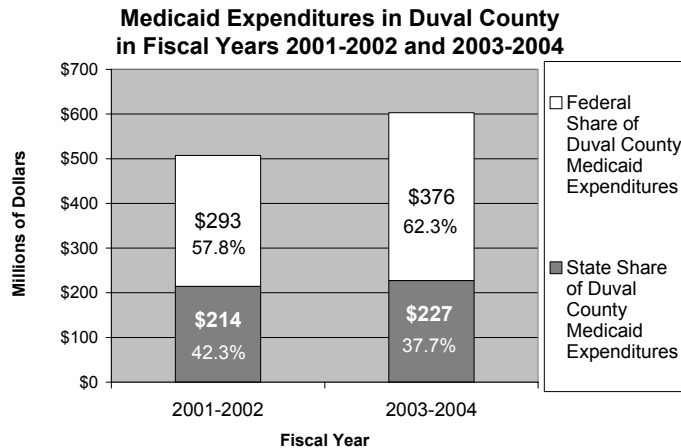
<sup>8</sup> Presentation by Joan Alker, July 12, 2004 Medicaid Symposium, Orlando, FL. Source: Georgetown Health Policy Institute Analysis.

## 1115 Waiver Brief #4: Federal Contributions to Duval’s Medicaid Expenditures

The state of Florida intends to apply for a comprehensive Section 1115 Medicaid waiver. This waiver, if approved, will change the way the Florida Medicaid program is funded by the federal government. Currently, in Florida (and most other states), Medicaid is an open-ended federal-state matching program. The federal government contributes a fixed percentage – approximately 62 percent in 2003 in Florida -- of the state’s costs; however the exact percentage it contributes varies from year to year and is calculated using a formula that takes into account the state’s per capita income relative to the national per capita income. In Florida, it was lowered to 59% on July 1, 2004.

All Section 1115 waivers are required to be “budget neutral” for the federal government. This is to ensure that the federal government does not spend more under a waiver than it would have in the absence of a waiver. The federal government has typically enforced budget neutrality agreements by using a “per capita” cap – this caps the amount of federal matching dollars per person but not the overall level of federal spending. Some experts contend that a “global” cap – which creates an overall, firm limit on Florida’s federal Medicaid funding -- could be imposed.<sup>9</sup> Under any Section 1115 waiver agreement, local communities will see their Medicaid funding limited in some way – a global cap would establish a clear limit on federal funding.

The waiver’s financing agreement would be determined prior to the 5-year waiver period (2005-2009) based on future cost and enrollment *estimates*. The chart below displays recent state and federal contributions to the Medicaid expenditures in Duval County. In the 2001-02 Fiscal Year, the federal government contributed 57.8% of the county’s Medicaid costs, nearly \$300 million. In Fiscal Year 2003-04, the federal government contributed 62.3% of the total cost, for a federal share of \$376 million. Currently, for any qualifying health services that Florida provides to an eligible person, Florida is assured that the federal government will share the cost.<sup>10</sup> This assumption will change should this global federal cap be implemented.

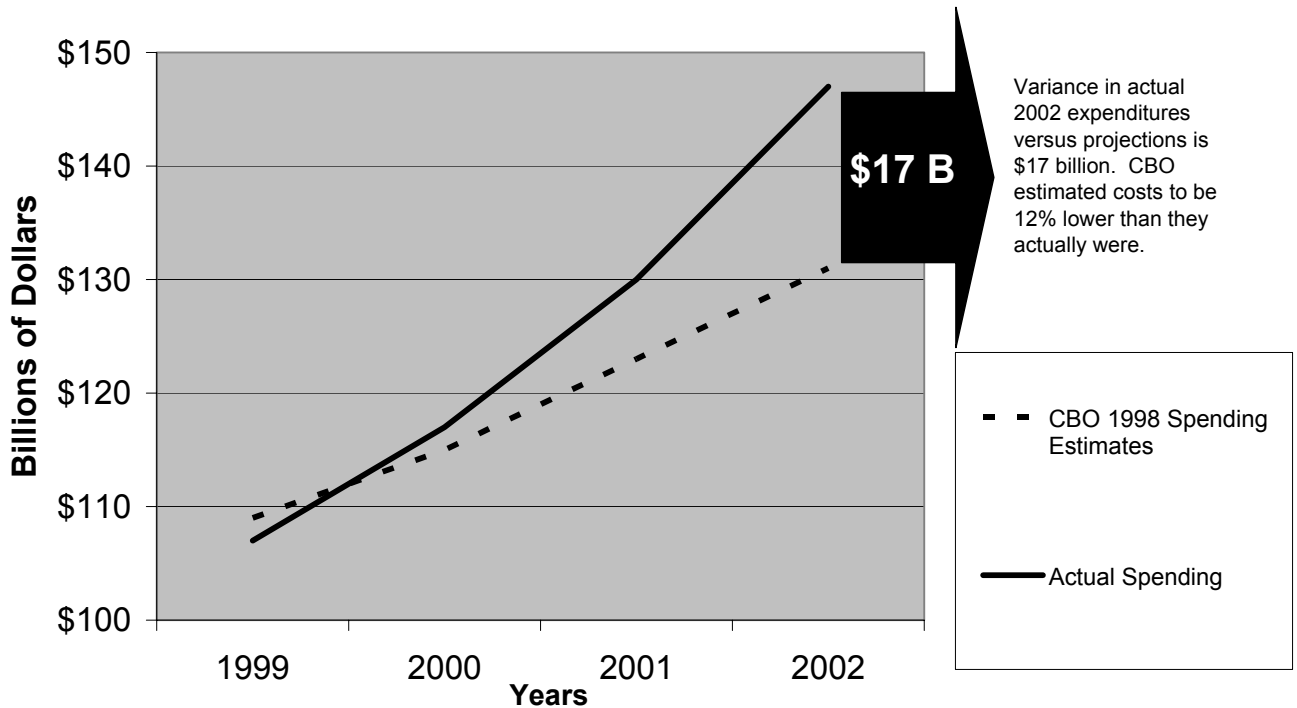


<sup>9</sup> Alker, J. and Portelli, L. “What Could a Waiver to Restructure Medicaid Mean for Florida?” Florida’s Health at Risk Published by the Winter Park Health Foundation. April 2004.

## 1115 Waiver Brief #5: Projecting Future Costs of Medicaid

If the Center for Medicare and Medicaid Services approves the 1115 waiver application to cap federal funding to the state of Florida, the state will receive a pre-determined, set amount of federal funding based on best estimates of what Florida's Medicaid costs will be over the next 5-year period. However, projecting future Medicaid costs is a complicated task. The Congressional Budget Office (CBO) is part of the legislative branch of the federal government whose purpose is to do just that: make economic forecasts and projections for Congress.<sup>10</sup> Although mandated to make these projections, it frequently errs in estimating these future costs. In 1998, the CBO underestimated 2002 Medicaid expenditures by 12%, or \$17 Billion.<sup>11</sup>

**Federal Medicaid Spending Projections Compared to Actual Costs (1999-2002)**



CBO Economic and Budget Outlook 1998, CMS Website - Medicaid Expenditures 1999-2001.

Chart replicated and modified from Joan Alker's Presentation on August 11, 2004 "Florida's Medicaid Program: What Could a Waiver Mean?"

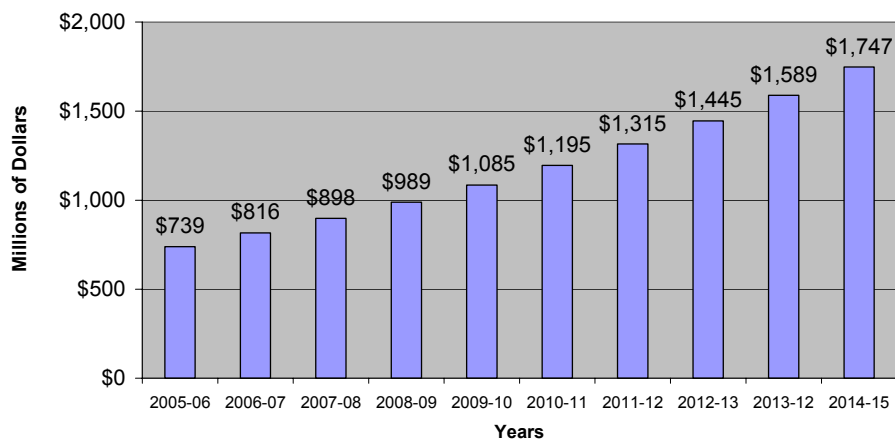
<sup>10</sup> Congressional Budget Office Website [www.cbo.gov](http://www.cbo.gov)

<sup>11</sup> CBO Economic and Budget Outlook 1998, CMS Website - Medicaid Expenditures 1999-2001.

## **1115 Waiver Brief #6: Future Medicaid Costs for Duval County**

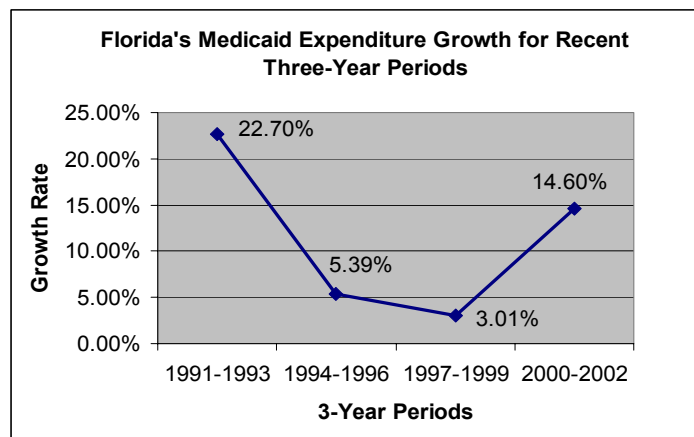
Future Medicaid expenditure estimates for Florida and Duval County have been made, but estimates are frequently inaccurate. Current estimates of Medicaid expenditures in Duval County are shown below. Costs for Duval County are estimated to be a proportion of Florida's costs; at this time, costs for Duval County are estimated to be 4.8% of the state's costs based on the fact that 4.8% of Medicaid enrollees reside in Duval County. These cost projections assume a steady 10% growth in expenditures each year. This growth rate takes into account both the increase in health care costs on a per capita basis, as well as the cost increases associated with increases in Medicaid enrollment.

**Projected Future Growth in Medicaid Service Expenditures for Duval County\***



\* Projected growth in expenditures for Duval County was derived from the overall state's expenditure projections. Duval County is estimated to be responsible for 4.8% of the state's total Medicaid expenditures.

The bar chart above shows a smooth upward trend in expenditure increases. However, history has shown that expenditure growth in Florida overall has been much more erratic than the linear trend projected above.<sup>12</sup>



<sup>12</sup> Presentation by Joan Alker, July 12, 2004 Medicaid Symposium, Orlando, FL. Source: Georgetown Health Policy Institute Analysis.

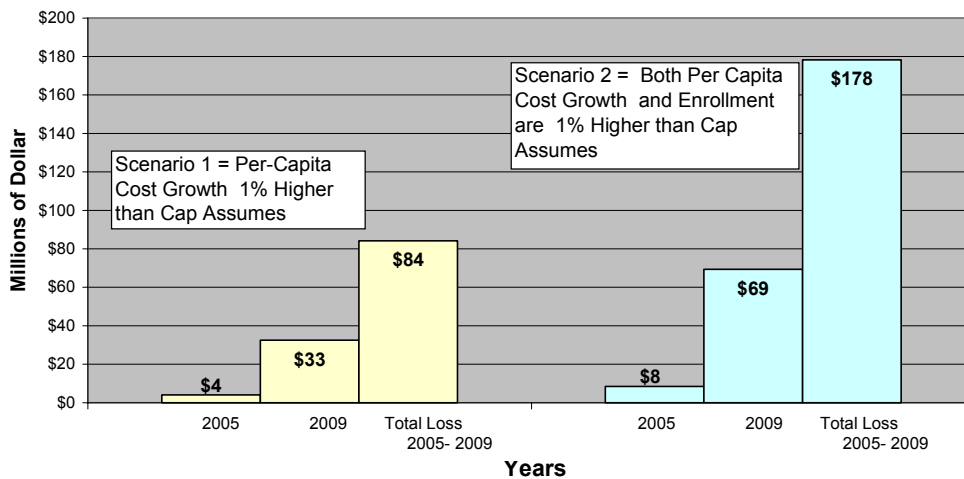
## 1115 Waiver Brief #7: Losses in Federal Contributions for Duval County

Should the expenditure estimates used to determine the global cap amount be incorrect, even by the slightest percentage point, Florida would be solely responsible for any additional costs above the cap.<sup>13</sup> In essence, additional costs would be paid for by the state at 100%, in contrast to the approximate 40% the state would be responsible for without the waiver. Because the state budget tends to be tight, Florida would need to consider either reduction in payments to providers or reduction in optional benefits to patients, both of which can compromise the quality of care enrollees receive.

Below is a chart that shows the federal funding dollars that Duval County would lose should Florida and the Center for Medicare and Medicaid Services miscalculate the costs for the waiver period, 2005-2009. Under “Scenario 1,” the county would suffer an \$84 million reduction in federal Medicaid spending, if Florida was to underestimate the per-capita cost growth by 1%. Under “Scenario 2,” should the state underestimate both the per-capita cost growth and the enrollment growth by 1%, the losses for Duval County could reach \$178 million.<sup>14</sup> It is not clear how the county will adapt to this loss. Either the county could be required to increase income, such as tax revenue, or services will be reduced for Duval County Medicaid recipients. This does not take into account the economic losses for the community at large in terms of jobs and income to local industry. The economic impact is discussed in 1115 Waiver Brief #8.

### Potential Reduction in Federal Medicaid Spending Under a Global Cap in Duval County, FL (2005-2009)

Based on 2004 Enrollment Percentage: 4.8% of the state's enrollment.



Baseline expenditures assume a 2% annual enrollment growth and a 7% per-capita cost growth.  
 Scenario 1 assumes a 2% annual enrollment growth and an 8% annual per-capita cost growth.  
 Scenario 2 assume a 3% annual enrollment growth and an 8% per-capita cost growth.  
 \*Data modified to represent Duval County impact from presentation by Joan Alker, Georgetown Health Policy Institute

<sup>13</sup> Joan Alker. Presentation “Florida’s Medicaid Program: What Could a Waiver Mean?” August 11, 2004. Georgetown Health Policy Institute.

<sup>14</sup> Data modified to represent Duval County impact from presentation by Joan Alker, Georgetown Health Policy Institute, “Florida’s Medicaid Program: What Could a Waiver Mean?” August 11, 2004.

## ***1115 Waiver Brief #8: The Potential Economic Impact of a Global Cap on Medicaid Funding***

By limiting (or capping) the amount of dollars Florida (and Duval County) can receive from the federal government based on inaccurate future cost estimates, the loss of funding could translate into lost business and increased unemployment for Duval County's economy.

In a report published in October 2003, it was estimated that the current open-ended Medicaid match supported 120,950 jobs in the state of Florida, creating \$4.3 billion in income and \$8.7 billion in business activity.<sup>15</sup> Each federal Medicaid dollar generated \$2.7 dollars in income and business activity. As demonstrated in brief #4, the federal government's match was \$376 million in Duval County for Fiscal Year 2003-2004. This means the open-ended federal matching program brought \$1,015 million in income and business activity to Duval County and the city of Jacksonville. "Business activity" means the value of all goods and services produced by Duval County's industries in a given time period, or the value of all wholesale and retail sales plus inventories.

According to this study, Duval County had a total of 6,899 jobs (\$197 million in income) supported by the federal government's matching of Medicaid costs in 2001-2002.<sup>16</sup> This is not to say that all of these jobs will be lost if the 1115 waiver is approved, but what it does say is these jobs will not be permitted to grow at the rate necessary should Medicaid expenditures and services in the county need to expand beyond what the cap provides for, and beyond what the state can afford to fund. The potential cap in federal funding would strictly limit these job opportunities.

Savings that the state of Florida proposes will happen with the use of this 1115 waiver could actually end up creating greater costs for the state and Duval County in terms of lost revenue, jobs, and income if a global cap is imposed through this waiver process.<sup>16</sup>

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<sup>15</sup> Sampath, P. "Penny Wise and Pound Foolish: Why Cuts to Medicaid Hurt Florida's Economy." Published by Human Services Coalition of Dade County, Inc. and Treasure Coast Community Health Action Information Network. October 2003.

<sup>16</sup> <http://www.cms.hhs.gov/medicaid/1115/feligprivprop.pdf>, Waiver Request Authority of Section 1115 (a) of the Social Security Act, Delegating Medicaid Eligibility Determinations to Non-State Employees. Submitted to Center for Medicare and Medicaid Services by Agency for Health Care Administration. April 2004.

## Conclusion

*The First Coast Coalition for the Uninsured* remains dedicated to keeping citizens and key policy makers informed about the status of this 1115 Medicaid waiver. Capping federal funding through an 1115 Medicaid waiver could have a significant impact on Duval County and its residents, Medicaid recipient or not.

- ◆ Benefits could be cut for Medicaid beneficiaries causing them to lose valuable health care services.
- ◆ Medicaid providers could be very adversely affected.
- ◆ Some experts contend that a cap on federal funding could also have a devastating effect on the County's economy.
- ◆ Proponents of a cap cite the potential to make much needed reforms in the system to make it more efficient, with few anticipated changes to the beneficiaries or providers.

Therefore, it is important to remain informed on this issue and other issues that our lawmakers propose so we may ensure good ethical and financial decisions are being made on behalf of residents of Duval County and the state of Florida.