



American Health Care Act Would Shift \$7 billion in Medicaid Costs to Florida Over 10 Years

The U.S House of Representative's health plan — the American Health Care Act (AHCA) — would strain the state's budget and undercut the state's economy. The bill would also effectively deny children and low-income seniors access to affordable health care coverage under Medicaid. Nationally, the AHCA would cut Medicaid by \$839 billion over the next decade and cap its financing structure.

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May 2017

Florida would stand to lose \$7 billion over 10 years if the AHCA (as approved by the House Budget Committee) were to become law, according to a report from the Urban Institute.¹ This shift in cost would have severe consequences for both the state budget and Floridians, particularly children, seniors and adults with disabilities.

Enactment of the AHCA would result in a range of tough decisions for state policy makers, including cutting education, public safety and other critical services for Floridians to compensate for the bill's cost-shift. The state would likely impose increasingly harmful cuts in Medicaid eligibility and benefits and lower provider payment rates, resulting in higher uncompensated care costs. Florida's Medicaid eligibility rate is already one of the most restrictive in the nation (in a family of four, the adults must have an annual income of less than \$7,000 to be eligible for Medicaid). The state's provider rate is also one of the lowest in the nation.

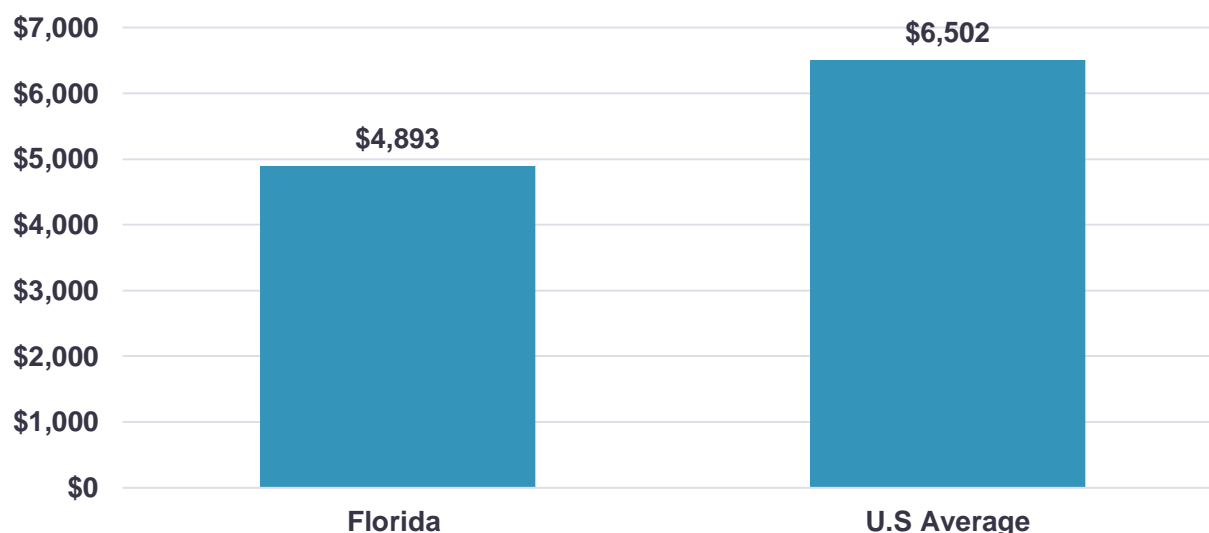
Medicaid is a lifeline for approximately 4 million Floridians, including children (who constitute more than half of the total participants), seniors and adults with disabilities. Under the Affordable Care Act (ACA) currently in effect, the federal funding for Medicaid rises when needs rise, as occurs in a public health crisis like growing Opioid abuse or costly new treatments. Federal funding flexibility under current law would be eliminated under the AHCA. Converting Medicaid into a per-capita cap model or an optional block grant model, as proposed in the bill, would establish fixed, arbitrary funding per enrollee or fixed overall Medicaid funding, which are not responsive to state or participant needs.

The state would be fully responsible for costs that surpass the fixed federal dollars received under the AHCA, resulting in increased state expenditures or reduced health care services, or both. Currently, more than half of the state's Medicaid funding comes from the federal government, and any funding cut under a per capita cap or Medicaid block grant would not only severely hurt the state budget, but also result in a reduction in the health care workforce. The economic arm of the Legislature underscored that the health care sector is "a more important and increasing component of Florida's economy."²

Low-income Floridians would find their access to affordable health care coverage greatly reduced, and many Floridians newly-insured under the ACA would no longer be able to afford health insurance. For those seeking care, the cost would be prohibitively expensive, and residents would face greater out-of-pocket expenditures and premiums, particularly seniors and adults with disabilities who need care the most.

Florida did not expand its Medicaid coverage under the ACA and its Medicaid spending per participant is among the lowest in the nation. If the AHCA passes and bases future funding on current spending levels, Florida would be locked in at its current low level. Florida's per enrollee spending is \$4,893 (ranked 47th of 50 states) while the U.S. average is \$6,502. Because nearly all capped funding proposals start with the state's historic spending level, Florida would be at a great disadvantage, locked into low capped federal payments.³

Average Per Enrollee Medicaid Spending in FY 2011



Source: Kaiser Family Foundation (2011)

FPI: fpi.institute

Florida's unique demographic shift warrants a careful evaluation of the consequences of cutting and capping Medicaid or block-granting Medicaid. Notably:

- Florida is witnessing an explosive growth of its aging population, especially residents aged 60 and above, projected to represent 56.9 percent of the state's population growth through 2030.⁴ This increases the demand for expensive and long-term care services.
- Florida's low-income aging population growth rate is above the national average (25 percent compared to the U.S average of 14 percent).⁵
- Florida's population of Supplemental Security Income (SSI) beneficiaries who are also automatically eligible for Medicaid has grown by 35 percent over the past 10 years, almost double the national rate (17 percent).⁶

Florida is one of 19 states that have not expanded Medicaid, failing to take advantage of significant federal funding that could help the state budget, state economy and individual Floridians.

As noted above, the per capita cap funding structure would shift the costs and risks to the state if the cost of care per person exceeds the capped allotment. This is highly likely given Florida's numbers of elderly and adults with disabilities, whose average cost of care is five times higher than children and other adults.⁷ Even though some per capita cap proposals claim to address this issue by setting separate caps for seniors and other beneficiaries, a recent study revealed that seniors aged 85 and older incurred average Medicaid costs that were more than 2.5 times higher than those aged 65 to 74. The study notes that, "per capita caps would cut state Medicaid programs by increasingly deeper amounts as more boomers move into 'old-old age'."⁸

A per capita cap would not be responsive to unanticipated higher medical costs nor to the impact of the aging population in Florida. As we stated in a previous [report](#), "capped Medicaid funding will hamstring state leaders trying to meet the challenges of a growing elderly population and unanticipated health care costs arising from epidemics such as Zika, the opioid crisis, natural disasters or new life-saving health innovations."

It is imperative that Florida's congressional delegation reject proposals that would fundamentally change Medicaid's financing structure with a block grant or per capita cap. Such action would put significant strain on the state budget, while hurting the state's most vulnerable population. It is common sense for the state to expand Medicaid so that Floridians in the coverage gap can get access to health care coverage, while providing the state with more federal funding to support the health of its residents.

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- ¹ Holahan, John et al. 2017. [*The Impact of Per Capita Caps on Federal and State Medicaid Spending*](#). pp. 10-12. Urban Institute. Also, see also [*House Republican Health Plan Would Mean More Uninsured, Costlier Coverage in Florida*](#). Center on Budget and Policy Priorities.
- ² Florida Office of Economic and Demographic Research (EDR). 2015. [*Economics of Health Care Spending*](#). p. 2.
- ³ State Health Reform Assistance Network. 2017. [*Medicaid Capped Funding: Findings and Implications for Florida*](#). p. 2.
- ⁴ Florida Office of Economic and Demographic Research (EDR). 2014. [*Florida's Economic Future and the Impact of Aging*](#). p. 9. Florida Assisted Living Federation of America.
- ⁵ Joan, Alker. 2017. [*Changes in Health Care Policy: How Could Florida Be Affected?*](#) p. 30. Georgetown University, Center for Children and Families.
- ⁶ Ibid, p. 31.
- ⁷ Park, Edwin. 2017. [*Medicaid Per Capita Cap Would Shift Costs and Risks to States and Harm Millions of Beneficiaries*](#). p. 2. Center on Budget and Policy Priorities.
- ⁸ Ibid, p. 3.