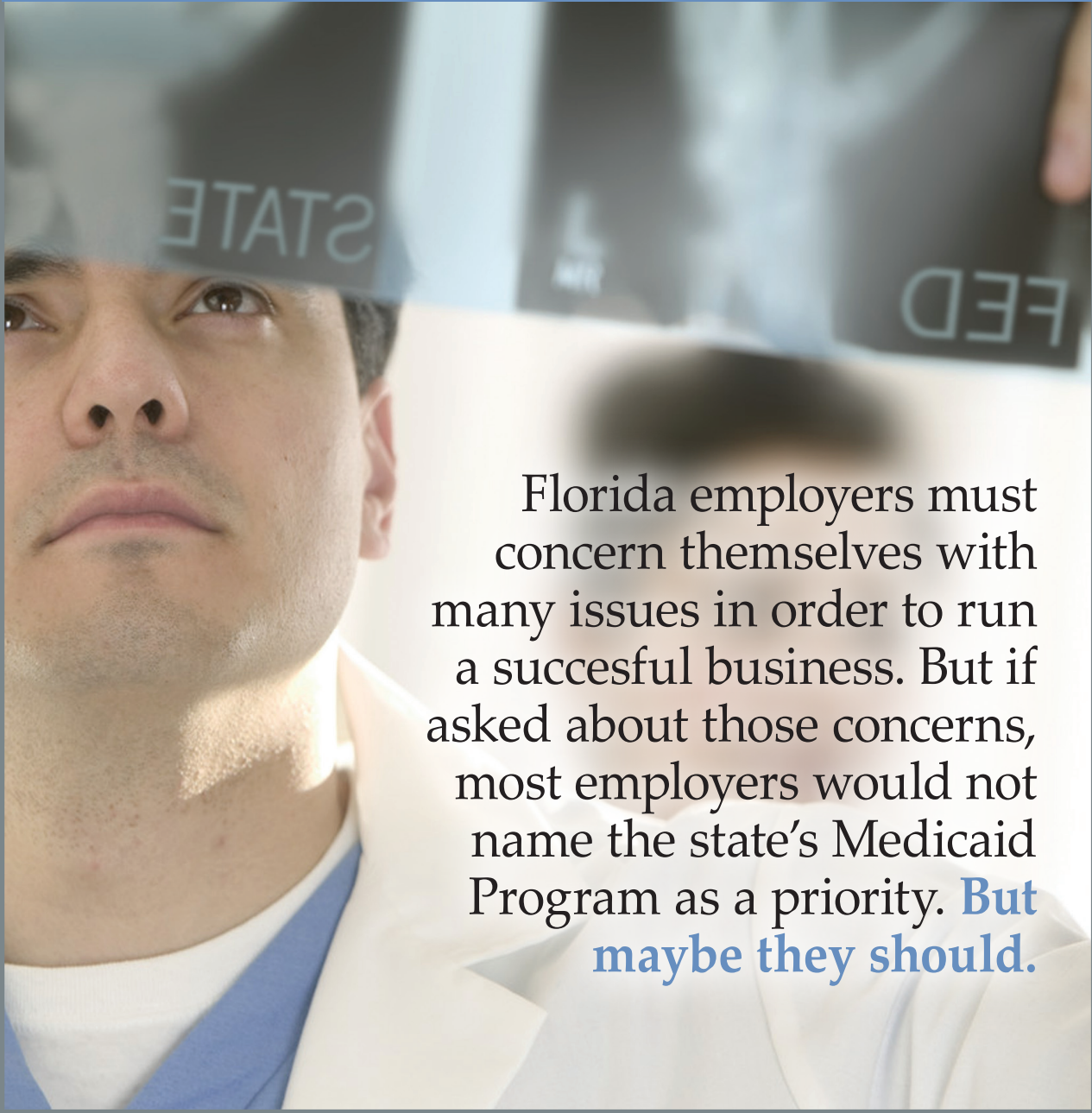


Employers Subsidize the Medicaid Program



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Employers Subsidize

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The simple fact is that employers and employees are paying higher insurance premiums as a result of the growing cost of providing coverage to the state's most needy citizens. And while the Medicaid Program plays an integral role in our society, the result of this subsidization has been disastrous to employers and their employees.

According to the Agency for Healthcare Research and Quality, less than half of Florida employers provide health insurance to their employees. And yet, employer sponsored coverage is still how most Floridians receive health benefits.

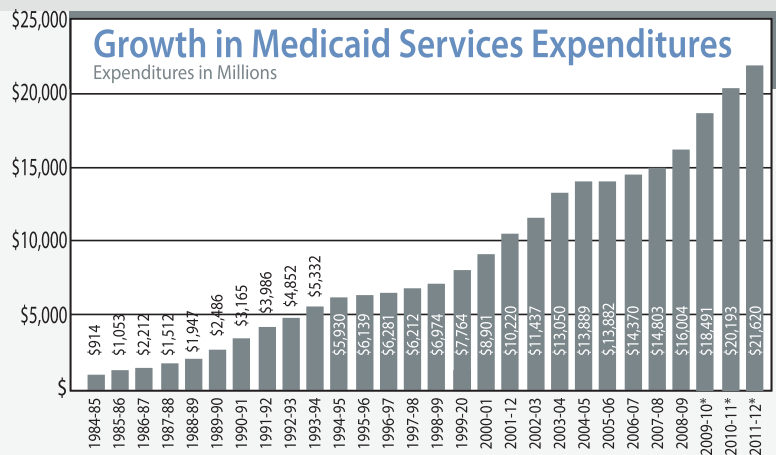
When asked why they don't offer coverage, the majority of employers say it is too expensive. As the cost of private health insurance premiums have increased, employers have been forced to push more costs of coverage onto their employees, or they have ceased providing coverage altogether.

Furthermore, the continued recession has resulted in businesses downsizing or closing altogether which has led to employees losing their jobs and their health benefits. As Florida's unemployment rate has skyrocketed, so has the rate of Floridians joining the Medicaid rolls. As a result, policymakers are forced to take money from other important programs in order to fund this growing portion of the state's budget.

What is Medicaid?

Medicaid is the joint program between the federal and state government that provides access to health care for low-income families and individuals, as well as the elderly and disabled. Because the federal government matches the state funding (54 to 46 percent), it dictates certain services to be provided to recipients. Other services are optional, and over the years, funding for optional services has proliferated.

For FY 2011-12, the Medicaid program is expected to cost \$22.1 billion, which is over one-third of the state's entire budget. Experts project the unprecedented growth of this program to continue as the recession lingers. For that reason, policymakers cannot afford to simply fund the program increases without taking a closer look at how to make it more efficient.



*FY 2009-10 Estimated Final Expenditures.

*FY 2009-10 August 2010 Social Services Estimating Conference.

*FY 2011-12 August 2010 Social Services Estimating Conference.

Source: Medicaid Services' Budget Forecasting Systems Reports.

The Process of Employer Subsidization

The reason the cost of our state's Medicaid Program increases is twofold: (1) the number of people who qualify for the program swells as the unemployment rate increases; and (2) it is more expensive to provide health care to this population. As the deficit in Medicaid grows, policymakers have reacted by decreasing the reimbursement given to the physicians, nursing homes and hospitals that care for Medicaid recipients.

To offset these reimbursement decreases, providers raise the rates they will accept for serving *privately insured* patients. The end result is that these higher rates are shifted onto the backs of employers and employees in the form of higher insurance premiums. Individuals, employers and their employees suffer with higher premiums because of the burgeoning costs of the state's Medicaid program.

The Cost Drivers Must Be Tackled.

Over the last several years, Associated Industries of Florida (AIF) has put legislators on notice that cost shifting from the state's Medicaid program to private employers cannot continue. Last session, the House of Representatives advanced an ambitious Medicaid reform proposal that was not heard in the Senate; however, for the first time in many years, the presiding officers of both chambers have made Medicaid Reform a priority. Nevertheless, there is much work to be done to make reform a reality for the 2011 Session.

During the fall of 2010, freshmen legislators were provided with a crash course on the state's Medicaid Program;

the Medicaid Program

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however, a small number of House and Senate members, who were tasked with delving into the inner workings and costs of this complicated system, started working on this issue in the summer of 2010. In the coming weeks, the House and Senate will release their reform packages and the work will begin in earnest.

While the House and Senate plans are expected to tackle the problem in different ways, there is agreement between the two chambers on the below listed cost drivers with the current system.

Delivery System is Complicated – Currently, there are many varied systems used to deliver care to Medicaid recipients which eliminates the ability to uncover and control the inefficiencies in the system. (See table of the various systems in Medicaid, page 4)

Fee-for-Service Encourages Over-Utilization – The fee-for-service system pays health care providers on a “per service” basis and according to the Agency for Health Care Administration (AHCA), fraud and abuse is most prevalent with this manner of payment. Providers are naturally encouraged to deliver more services than may be necessary as a means of increasing their earnings.

Expensive Services are not Coordinated – According to AHCA, nursing home and hospital services are two of the largest spending categories in Medicaid; however, processes to ensure that this expensive kind of care is warranted are not well established.

High Cost Patients are not Well Managed – A little over 30 percent of Medicaid recipients expend 60 percent of the program's total expenditures. Much of the costs are associated with long term care service.

Fear of Lawsuits Keep Physicians Away – Primary care providers and specialists stay away from caring for Medicaid recipients because these patients are more likely to develop complications and have more complex health problems overall. For these reasons, providers believe there is a higher chance of being sued for malpractice if the outcome is not good, even if they provided appropriate care.

AIF applauds the Florida Legislature's willingness to take on the difficult task of reforming this very costly, yet important program. If the above cost drivers can be effectively eliminated or managed, the result will:

- Ensure that appropriate, quality health care is provided to the state's most vulnerable;
- Guarantee that services are provided in the most cost-efficient manner and setting;
- Increase the ability to prevent fraud in the system;
- Lower the risk of a lawsuit being filed against a provider who acted appropriately; and
- Reduce the growth rate associated with the cost of this program.

If these goals are realized, employers and their employees can find relief from subsidizing this program.

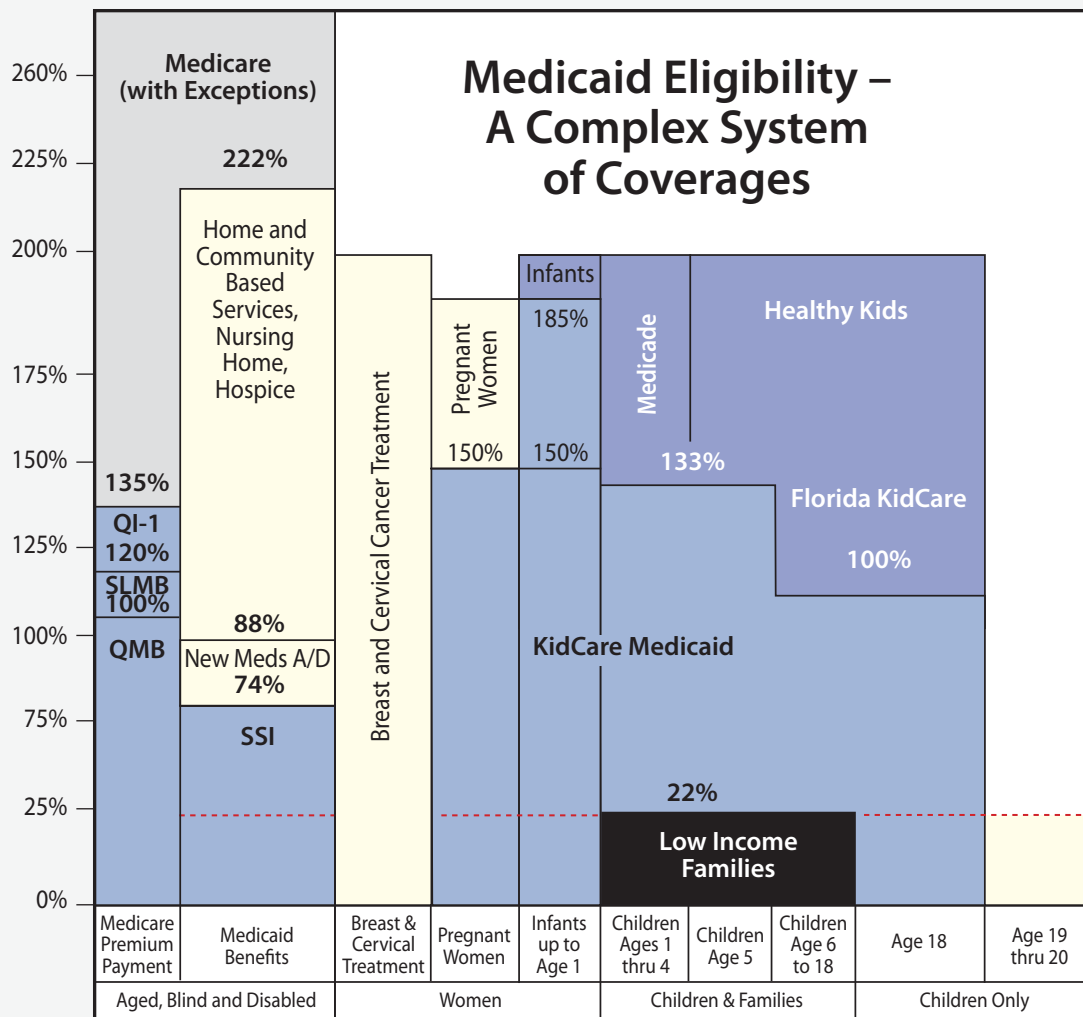
Support Medicaid Reform

AIF SUPPORTS the creation of an efficient, accountable Medicaid program through the establishment of a single coordinated statewide system that covers all Medicaid recipients.

- Many recipients receive care through a coordinated system and according to AHCA, this system delivers care more efficiently than those that do not have their care managed. If all recipients were enrolled in a coordinated care system, the projected savings, according to AHCA, could be as high as \$90 million.
- Simply put, the State of Florida should purchase health care services for its Medicaid enrollees the same way employers purchase coverage for their employees. Employers are adept at ensuring they get the best “bang for their buck” when purchasing health benefits for their employees. They work with private health insurers to obtain the best price and then pay for those services through a fixed monthly premium.
- Currently, the costs associated with Medicare can increase throughout the year creating a deficit going into the next year. An employer could not successfully control their budget with this kind of uncertainty and there is no justification for the state to continue in this manner.

Employer subsidization of the Medicaid Program is a silent job killer. To ensure the success of their business, it is incumbent upon Florida employers to communicate to state lawmakers the importance of Medicaid reform.

For more information please contact José Gonzalez, AIF's Vice President for Governmental Affairs e-mail: jgonzalez@aif.com or visit aif.com.



Family Size	** Monthly Income
1	\$903
2	\$1,214
3	\$1,526
4	\$1,838
5	\$2,149
6	\$2,461
7	\$2,773
8	\$3,084
Each Additional	\$312

*coverage for infants up to 185% Federal Poverty Level is required in order for states to receive Title XXI funding.

**Federal Poverty Level as of Jan. 2010

Source: The Agency for Health Care Administration Florida Medicaid: Program Overview, December 8, 2010



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