



Governor Bush Proposes Reforming Medicaid

January 19, 2005

As promised, Governor Bush formally announced his program to reform Medicaid. This reform program, if passed, will have profound effects on Florida's healthcare marketplace generally, and it will have particular impacts here in central Florida since so many of our citizens rely on Medicaid.

As most of you know, Medicaid is a federal-state medical assistance program providing benefits to 2.1 million low-income Floridians. This year Florida will spend \$14 billion on Medicaid, accounting for 24 percent of the budget. The problem is that the current system is unsustainable. Without reform the program will grow to \$23.7 billion by 2009, consuming 35 percent of the budget, and to \$50.4 billion by 2015, using 59 percent of the budget.

The governor proposes to convert the program from a government funded entitlements program into a premium-based program similar to private insurance. Based on their incomes, participants will have stipends allowing them to purchase basic healthcare from a variety of private sector sources, including HMO's (the preferred route) and other private insurance options. Portions of the premiums will also be used to create an enhanced benefit bank and a catastrophic fund. The catastrophic fund pays for care when costs exceed a defined dollar threshold; it is financed by risk-adjusted premiums and managed by the state. The enhanced benefits are also funded from risk-adjusted premiums. Participants qualify for benefits by pursuing healthy lifestyles. They access funds through flexible spending accounts, which can be used to purchase additional coverage, more services, and/or employer-based health insurance.

The governor claims that this reform program will put patients first and empower them to make choices. And it will do that. The governor also claims that the program will allow the state to control the growth in Medicaid expenditures. And it will do that as well. However, so far the administration has not provided any analysis of what the impact will be on lower income Floridians when the state

restricts the growth of spending on Medicaid. Obviously, if the growth in spending slows – which it must do or the whole program will collapse – some recipients will get less than they are now receiving.

Overall, the governor deserves high marks for a well thought out and innovative reform program. Locally, political leaders need to plan for how they will respond when lower income central Floridians find that their Medicaid benefits are shrinking but their health care needs are not. Those in need will inevitably turn to their city and county governments for help, or they will overburden our hospitals with demands for charity care. With our large volume of uninsured service workers, this is an issue that will have substantial impact.

This is Hank Fishkind for 90.7 FM, WMFE News.

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