



Reforming Medicaid

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Next week Florida's legislature will meet in special session to provide hurricane relief and, perhaps, to fund the constitutionally mandated pre-kindergarten program. Then just a few months later comes the 2005 general session.

Governor Bush has promised not be a do-nothing lame duck, and he is developing a bold and far-reaching legislative program. Reforming Florida's Medicaid system is first on his list, and that is a good thing because Medicaid is the fastest growing part of Florida's budget, consuming more than 25 percent of spending from the state's general fund. Medicaid spending will swell 20 percent this year, following years of growth at 10 to 15 percent per year.

Medicaid is a federally mandated program that provides tax-funded healthcare to the most vulnerable and needy in society. For example, in Florida Medicaid serves 27 percent of all children, 44 percent of pregnant women, 885,000 adults who are aged and/or disabled, and 66 percent of all nursing home days. The program is projected to spend \$14.7 billion in 2004-05. The breakdown is very revealing. The top five are: \$2.6 billion for prescribed drugs, \$2.3 billion for nursing home care, \$2.3 billion for hospital services, \$1.6 billion for prepaid and other HMO services, and \$800 million spent for home and community services. Without reform Medicaid will quickly eclipse spending on education, and it will crowd out spending for other programs.

Florida's problems are not unique, because costs are driven by rising caseloads and soaring medical costs. As a result, most states have proposed dramatic reforms. Forty-seven states plan to freeze or reduce provider payments, forty-three will increase cost controls over prescription drugs, and fourteen will restrict eligibility. Florida's situation is particularly acute because of our large population of retirees who use nursing homes and because of the larger than average percentage of Floridians who lack health insurance.

The governor's reform package will try to restrict the growth in spending by moving the system towards more market-based and individually controlled decisions. While the package has yet to be released, the following reforms are likely for prescription drugs and nursing homes, since these are the two most expensive and fastest growing components on Medicaid. There will likely be caps on prescription medicines along with additional co-payments. Nursing home care will shift more towards an HMO-based delivery system with higher co-payments, increased premiums required, and rate setting imposed.

Reforms will be difficult, but the governor is right to focus on their absolute necessity.

This is Hank Fishkind for 90.7 FM, WMFE News.

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