

Medicaid Capped Funding: Findings and Implications for Florida
April 5, 2017

On March 24, 2017, the House of Representatives determined not to move ahead with the American Health Care Act (AHCA), its proposal to repeal and replace the Affordable Care Act (ACA). The AHCA included provisions that would have capped federal Medicaid funds through per capita caps and block grants, and reduced or eliminated federal funding for the expansion of Medicaid to low-income adults. While the AHCA failed to advance, these Medicaid proposals are likely to remain a priority for Congressional leadership. To assist states in evaluating how they might fare under a capped funding model, Manatt Health analyzed state-specific data for all 50 states and the District of Columbia. The Florida-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact Florida under capped funding proposals. The data are drawn from a tool kit prepared by Manatt Health for the Robert Wood Johnson Foundation's State Health Reform Assistance Network.¹

Medicaid capped funding proposals are designed to provide the federal government with greater budget certainty and to reduce federal spending, and thereby reduce federal Medicaid funding for states, especially in the out years. In several recent proposals, including the AHCA, the size of the cap for each state is set based on its historical spending in Medicaid, trended forward by an annual, national "trend rate," rather than a state-specific trend. As a result, under a capped financing formula, federal Medicaid funding to states would no longer respond automatically to increases in state-specific health care expenditure growth, break-through therapies, public health crises, or, depending on the design of the cap, increases in enrollment due to growing populations, changing demographics, economic downturns or other factors. States might have additional flexibility to reduce eligibility, benefits or provider payment rates, but ultimately they bear the risk of costs exceeding the cap.

Data Considerations

This memo relies on the most recent publicly available data, and in some instances, it references 2011 data. While a state might have more recent data on its own program spending, 2011 is the most recent year for which per enrollee spending and historical growth rates are publicly available by eligibility group for all states. The lack of more recent 50-state data is challenging, but the comparison across states is helpful. In any event, faced with the lack of more recent 50-state data, Congress will likely need to rely on older and aggregated data in setting capped funding levels.

¹ <http://statenetwork.org/resource/data-points-to-consider-when-assessing-proposals-to-cap-federal-medicaid-funding-a-toolkit-for-states/>

Key Data Findings

- **Under a capped funding model, Florida could be disadvantaged relative to states that receive federal funding for the ACA Medicaid expansion.** Expansion states and states with higher eligibility levels could see higher funding allowances than non-expansion states with respect to any block grant proposal.
 - The 31 expansion states received nearly \$73 billion in additional federal funding in 2016.
 - Florida has among the lowest eligibility levels for adults in the country (29% FPL for parents, and 0% FPL for childless adults), which contributes to the risk of a relatively small allotment under any model using a block grant.
- **Florida has among the lowest per capita Medicaid spending levels in the U.S., putting it at risk of being “locked in” to a relatively low capped payment.** Since nearly all capped funding proposals start with a state’s historic spending, Florida may be locked into low capped federal payments.
 - Florida spent an average of \$4,893 per enrollee in federal fiscal year 2011 (48th among states), well below the national average of \$6,502.
 - Florida has relatively low spending across all eligibility groups – \$15,005 per disabled enrollee compared to \$18,518 nationally (9th lowest), \$14,253 per aged enrollee compared to \$17,522 nationally (9th lowest), \$1,707 per child enrollee compared to \$2,492 nationally (2nd lowest), and \$2,993 per adult enrollee compared to \$4,141 nationally (5th lowest).
- **Between 2000-2011, Florida’s Medicaid spending on a per capita basis grew much more rapidly than the national trend rates typically advanced in capped funding proposals and faster than most other states.** If Florida’s historical spending rates are indicative of its future spending rates, over time federal Medicaid funding under a capped funding proposal would be short of Florida’s needs.
 - Florida’s average annual per enrollee spending growth was above average in all eligibility groups from 2000 - 2011: 7.3% for the aged (5th in nation), 6.1% for disabled (8th in nation), 7.4% for adults (22nd in nation), and 5.6% for children (23rd in nation).
 - Florida’s Medicaid spending growth on these groups significantly outstripped per capita GDP (2.9%), CPI (2.5%), and medical CPI (4%) during that period.
 - Florida already has relatively very high use of managed care. In contrast to other states, it is not clear how much further Florida could reduce per capita spending without reducing benefits or provider payment rates.
- **Florida relies heavily on DSH, UPL, and waiver payments; depending on how they are treated in a capped funding approach, these federal funds may be at risk.** This is a critical issue for Florida to monitor.
 - DSH, UPL, and waiver payments made up 11.8% of all Florida Medicaid benefit spending in 2015 – well above average.
- **Florida Medicaid spending is disproportionately for seniors and people with disabilities.** As a result, capped funding is likely to disproportionately impact these populations.

- In FY 2011, close to two-thirds (66%) of Florida’s Medicaid spending was for elderly and disabled enrollees even though they accounted for approximately a quarter (28%) of the State’s Medicaid enrollment.
- **Florida is one of the fastest growing states in the country, which puts it at particularly high risk under capped funding.** A capped funding formula that does not take enrollment into account would leave the state at higher risk than other states. Even if enrollment growth is accommodated by a per capita cap model, it would be at risk for the higher costs attributable to an aging population.
 - Florida is the 3rd fastest growing state in the country. While the country is expected to see its population grow by 8.4% by 2025, Florida is looking at a 22.2% growth rate, or an additional 4.7 million people.
 - By 2025, Florida is expected to see its senior (age 65+) population – a group with high Medicaid costs – grow by 55%, among the fastest growth rates in the country (ranking 3rd). Florida’s Medicaid enrollment of aged individuals from 2000 - 2011 likewise grew quickly – at an average annual rate of 4.2% compared to the national average of 2.3%, the 8th fastest growth rate for this Medicaid population in the nation.
 - Projected growth in the elderly population will be a particular challenge in Florida in light of its relative low spending base for the elderly (9th lowest in the nation).
- **Florida has among the highest uninsured rates in the nation – leaving Florida with a bigger “hole” to address if and when the State is looking to cover additional residents.** Capped funding proposals to date do not take into account the size of each state’s remaining uninsured population.
 - As of 2015, the uninsured rate in Florida was 13.3% — the 5th highest in the nation.
 - While the current Medicaid structure preserves Florida’s option to expand its Medicaid coverage, a capped model may eliminate or reduce federal financial support for any such expansion..
- **Florida’s State budget relies heavily on federal Medicaid funding.** Medicaid represents the single largest source of federal funding for the State. A loss of federal Medicaid funding could shift costs to the State, posing a threat to the Florida budget and other State priorities, such as education.
 - Federal Medicaid funding (\$11.9 billion in 2015) makes up more than half (54.2%) of all federal funding in Florida’s budget—the 6th highest share among non-expansion states. By comparison, the next largest source of federal funds—for transportation—is just over 9% of the federal funds received by the State.