SHARP
State Healthcare Access Research Project

State Healthcare Access Research Project:

Toolkit: ACA Implementation in Florida
Part I: The Medicaid Expansion

MEDICAID & THE AFFORDABLE CARE ACT

The Patient Protection and Affordable Care Act (ACA) extends Medicaid, via the states, to individuals living below 133% of the federal poverty level (FPL).[1] Pursuant to the Supreme Court's reading of the law, the Department of Health and Human Services (HHS) cannot revoke existing federal medical funding for failure to comply, making the provision unenforceable.[2] In other words, states that expand Medicaid pursuant to the law will receive substantial increases in federal funding (covering 90-100% of newly eligible beneficiaries indefinitely), and those that do not expand will not experience any change in Medicaid funding.

There is strong empirical evidence that the federal funding accompanying the expansion will significantly improve not only individual and public health, but also the fiscal stability of the state of Florida. As elected officials move forward to implement the ACA, the following issues should be considered.

MEDICAID & INDIVIDUAL AND PUBLIC HEALTH IN FLORIDA

- **Chronic Illness and Disability** – Access to preventive and regular care reduces morbidity and mortality associated with chronic illnesses and disabilities. Not only can screenings and precautionary steps often prevent onset of disease (e.g., diabetes, hypertension, and cardiovascular diseases) but early diagnosis and treatment can also significantly reduce the severity of prognoses (e.g., asthma and many cancers). Habilitative and rehabilitative services reduce utilization of high cost inpatient and institutional care, maximizing independence and productivity.

- **Infectious Disease** – The public health benefits of expanded Medicaid translate directly to the safety and security of all Floridians. Access to screening and treatment reduces the spread of disease by providing a cure or reducing infectiousness. For example, continuous and comprehensive treatment of HIV not only improves the health of the individual, but also has been shown to reduce the likelihood of transmitting the virus by 96%.[3] More than 135,000 Floridians are living with HIV, and over 40% are not connected to any treatment.[4,5] Expanding Medicaid to cover individuals living below 133% FPL would significantly alleviate the state's HIV epidemic.

- **Disparities** – Health disparities (health differences closely linked to social or economic disadvantages) are a national challenge, but particularly stark in Florida, where nearly 3 million people lack adequate access to primary care physicians.[4] Low-income individuals have higher rates of heart disease and diabetes and consistently shorter life expectancies than their wealthier counterparts.[6] Florida is among several states that stand out for disproportionately high rates of both new infections and existing cases of HIV/AIDS, as well as some of the worst outcomes in terms of HIV-related complications and deaths.[7] Race also plays a role in health outcomes: in Florida, African-Americans are significantly more likely to die of diabetes or cardiovascular disease than whites and more than twice as likely to die before age one.[8,9,10] One of several reasons for these disparities is the highly restrictive Medicaid eligibility standard in Florida, leaving most low-income individuals without access to care (15% fewer African-American women in Florida receive prenatal care in the first trimester of pregnancy than white women).[11] Reducing disparities has been a federal target since the turn of the century, and is part of the ACA's design (e.g., the Medicaid expansion provision). Access to health insurance is a fundamental determinant of health outcomes (e.g., Medicare has reduced disparities among the elderly by providing individuals with similar coverage regardless of income or ethnicity). Florida would benefit significantly from the Medicaid expansion when it comes to improving health equity; federal money would fund a substantial decline in disparities that detract from economic productivity and exacerbate high levels of poverty across the state.

MEDICAID & FISCAL STABILITY

- **Hospital Solvency** – Hospitals are required by law to stabilize any Floridian in need, regardless of ability to pay. Because of the high proportion of uninsured residents, this amounts to billions of dollars in uncompensated care ($2.4 billion in 2006).[12] Anticipating that this number will fall as uninsured individuals purchase private coverage or enroll in Medicaid, the ACA incrementally reduces federal payments that currently help hospitals offset these costs (known as disproportionate share hospital funds).[13] Reducing these payments to hospitals presumes substantial savings that would incur only by approaching near universal coverage. For example, under full ACA implementation, in the first five years of

expanding coverage, Florida hospitals would save over $4.6 billion on uncompensated care.[14] Thus, if Florida forgoes the Medicaid expansion, its hospitals will face severe deficits as they continue to treat a high volume of uninsured residents (over 1.2 million uninsured Floridians live below 100% FPL and thus are not eligible for federal subsidies to purchase coverage on an exchange).[15] Without federal reimbursements for this care, hospitals will pass the cost onto privately insured patients, inflating premiums. Worse still, some small hospitals (e.g., in rural areas) will not be able to offset these costs, and may be forced to close, leaving entire communities without access to care (not to mention eliminating hundreds of jobs).[16]

- **Federal Funding** – Governor Scott has cited fiscal concerns as a reason not to expand Medicaid pursuant to the ACA. However, Florida stands to be one of the biggest beneficiaries of the federal dollars associated with the expansion. Florida has one of the highest rates of uninsured residents in the nation (over 20% of its population, or nearly 4 million Floridians); the expansion will cover over 1.6 million individuals.[4,17] The cost to Florida will never exceed 10% and the state will experience economic growth from the influx of additional federal funds. Indeed, prior Medicaid expansions have created jobs and increased consumer spending (spurring demand for healthcare workers and alleviating medical debt, thereby generating increased disposable income).[18] Thus, it is important to consider the net fiscal effect of expanding Medicaid, rather than merely the isolated cost of covering new beneficiaries. Moreover, if Florida declines federal expansion funds, its residents will ultimately subsidize the cost of coverage in states that do accept the money, via federal taxation. Voters will be particularly attuned to this point.

- **Net State Savings** – The cost of the state share of newly eligibles (10%) will be largely offset by the savings realized in reduced spending on uncompensated care. Not only will the cost of "free" emergency care to the uninsured (funded by Florida taxpayers) fall drastically with nearly universal coverage, but the overall cost of treatment will decline as well, as Floridians benefit from preventive services available free of charge. Indeed, in the first five years of expanding Medicaid, Florida will spend only $95 million to cover an additional 1.6 million enrollees.[14]

CONCLUSION

Expanding Medicaid pursuant to the ACA presents Florida with a tremendous opportunity to control state spending, improve public health, and keep healthcare providers and hospitals solvent. The state already struggles with one of the most stringent Medicaid eligibility standards in the nation, and consequently suffers from poorer health outcomes and a disproportionately high death rate.[4] Implementing the ACA's Medicaid expansion option would further benefit the state's health and healthcare system, in the spirit of these steps already taken.

1 Patient Protection and Affordable Care Act (ACA), 42 U.S.C. § 2001(a) (2010).
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13 ACA § 2551(a).
14 Matthew Buettgens, Stan Dorn, & Caitlin Carroll. *Consider Savings as Well as Costs: State Governments Would Spend at Least $90 Billion Less with the ACA than without it from 2014-2019*, Urban Institute & Robert Wood Johnson Foundation (2011).
15 StateHealthFacts.org, Individual State Profiles, Florida: Health Insurance Coverage of Adults 19-64 Living in Poverty (under 100% FPL), states (2009-2010), U.S. (2010), http://www.statehealthfacts.org/profileind.jsp?ind=131&cat=3&rgn=11&cmprgn=1 (last visited Sept. 10, 2012).
16 Andrea Kovach, *Expanding Medicaid: the Choice is Clear*, Shiverbrief, July 10, 2012.
17 StateHealthFacts.org, Individual State Profiles, Florida: Health Insurance Coverage of Adults (19-64) with Incomes under 139% of the Federal Poverty Level (FPL), states (2009-2010), U.S. (2010), http://www.statehealthfacts.org/profileind.jsp?cmprgn=1&cat=3&rgn=11&ind=779&sub=177 (last visited Sept. 10, 2012).
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