

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/ SB 1108

SPONSOR: Committee on Appropriations and Senator Silver

SUBJECT: Agency for Health Care Administration

DATE: February 28, 2002 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	_____	Wilson	HC	Withdrawn
2.	_____	Wilson	GO	Withdrawn
3.	_____	Belcher	AHS	Withdrawn
4.	Peters	Revell	AP	Favorable/CS
5.	_____	_____	RC	Withdrawn
6.	_____	_____	_____	_____

## I. Summary:

The CS for SB 1108 makes a number of changes to the Medicaid program that are required in order to implement the proposed General Appropriations Act for FY 2002-03. Specifically, the bill:

- Requires the Agency for Health Care Administration, in consultation with other departments and the Florida Healthy Kids Corporation, to contract for an annual evaluation of the Florida Kidcare program.
- Restores coverage for adults in the Medically Needy program but revises program policy to increase the medically needy income level by \$270 (from \$180 to \$450) and prohibits Medicaid reimbursement for expenses used to meet the spend-down liability for a family or person.
- Provides additional criteria for an adjustment to a hospital's current Medicaid inpatient per diem rate.
- Restores Medicaid coverage for Adult Dental, Visual and Hearing services.
- Requires the Agency to submit quarterly reports on the progress made in implementing cost-effective purchasing of health care and the Medicaid prescribed drug program.
- Changes the date used to qualify a hospital for participation in the disproportionate share/financial assistance program for rural hospitals to July 1, 1999.

- Revises the enrollment goal of managed care to 55 percent managed care and 45 percent MediPass.

This bill amends s. 409.8177; 409.904; 409.905; 409.906; 409.912; 409.9116; and 409.9122, Florida Statutes.

## **II. Present Situation:**

### ***Florida KidCare Program***

Florida's Kidcare program was created by the 1998 Legislature to make affordable health insurance available to low and moderate-income Florida children. Kidcare is an umbrella program that currently includes the following four components: Medicaid for children; Medikids; Florida Healthy Kids; and the Children's Medical Services Network, which includes a behavioral health component. The Florida Healthy Kids program component of Kidcare is administered by the non-profit Florida Healthy Kids Corporation, established in s. 624.91, F.S. The Healthy Kids program existed prior to the implementation of the federal Title XXI child health insurance program. Florida was one of three states to have the benefit package of an existing child health insurance program (Healthy Kids) grandfathered in as part of the Balanced Budget Act of 1997, which created the federal child health insurance program.

Currently, s. 409.8177, F.S., requires the Agency for Healthy Care Administration, in consultation with the Department of Health, the Department of Children and Family Services, and the Florida Healthy Kids Corporation to submit an annual evaluation of the program to the Legislature.

### ***Medically Needy Program***

The statutory provisions for the Medicaid Program appear in ss. 409.901 through 409.9205, F.S. Section 409.903, F.S., specifies categories of individuals who are required by federal law to be covered, if determined eligible, by the Medicaid Program (mandatory coverage groups). Section 409.904, F.S., specifies categories of individuals who the federal government gives state Medicaid Programs the choice of covering (optional coverage groups). Sections 409.905 specifies the services the state is required to cover by federal law; ss. 409.906, F.S., specifies the federally optional services Florida's Medicaid Program covers.

The Medically Needy program is an optional program under Medicaid that primarily covers persons who have experienced a catastrophic illness and either have no health insurance, or have exhausted their benefits. The program provides Medicaid coverage for those persons who qualify categorically for Medicaid except that their income or assets are greater than the level allowed under other Medicaid programs. There is no limit to the monthly income an individual can have, but to be eligible for Medicaid to pay for care, the individual must incur enough medical bills to offset his or her income to the income level that would qualify the individual for the Medically Needy program. A person eligible for the Medically Needy Program is eligible for all Medicaid services with the exception of services in a skilled nursing facility or an intermediate care facility for the developmentally disabled, and home and community-based services.

About two-thirds of the individuals eligible for the Medically Needy program are in the TANF-related group. The TANF-related group is primarily families with higher incomes who have undergone an illness or injury with substantial medical cost that would reduce their incomes down to the income standard. For example, a family of four would have to incur medical bills that, if deducted from their income, would reduce their income to \$364 per month. The income eligibility standard of \$364 per month for a family of four is about one-fourth of the 2001 federal poverty level of \$1,471 per month for a family of four.

The Supplemental Security Income (SSI) related group is usually without Medicare or other forms of insurance and primarily receives services for critical needs relating to AIDS, cancer, organ transplants, and other catastrophic illness. These individuals must incur medical bills that, if deducted from their income, would reduce their income to \$180 per month for an individual or \$241 per month for a family of two. This monthly income standard is about one-fourth of the 2001 federal poverty level for an individual (\$716 per month) or for a family of two (\$968 per month).

Eligibility is determined based on medical and pharmacy bills presented to the Department of Children and Family Services. Once determined eligible, the state reimburses providers based on the current Medicaid reimbursement rates. Individuals do not actually “spend down” to the above income standards in order to qualify for the program.

The Medically Needy program for adults was eliminated, effective July 1, 2002, in the 2001 Special Session ‘C’ (Chapter 2001-377, Laws of Florida).

### ***Medicaid Prescribed Drug Spending Control Program***

Section 409.912, F.S., provides requirements for cost-effective purchasing of services under the Medicaid program. The section requires that the agency purchase goods and services in the most cost-effective manner consistent with the delivery of quality medical care. The Agency is authorized to establish prior authorization requirements for certain populations and certain drugs. The Pharmaceutical and Therapeutics Committee is to make recommendations to the Agency on drugs for which prior authorization is required. The Medicaid program is mandated to implement a prescribed-drug spending-control program that includes various components. The Agency is required to submit a report to the Governor and Legislature by January 15 of each year on the progress made in implementing cost-containment measures and their effect on Medicaid prescribed-drug expenditures.

### ***Optional Adult Dental, Visual and Hearing Services***

Medicaid currently covers adult dental services rendered by licensed, Medicaid participating dentists. Medicaid-reimbursable adult dental services are provided to recipients age 21 and older. Services include diagnostic examinations for denture services; radiographs necessary for dentures; extractions and other surgical procedures essential to the preparation of the mouth for dentures; oral prophylaxis; and emergency extractions and abscess treatment to alleviate pain or infection.

Medicaid covers hearing services rendered by licensed, Medicaid participating otolaryngologists, otologists, audiologists, and hearing aid specialist. Hearing services include cochlear implants, diagnostic testing, hearing aids, hearing aid evaluations, hearing aid fitting and dispensing, and hearing aid repairs and accessories.

Medicaid covers visual services rendered by licensed, Medicaid participating ophthalmologists, optometrists, and opticians. Medicaid reimbursable services include eyeglasses, eyeglass repairs and prosthetic eyes and contact lenses.

The Adult Dental, Visual and Hearing services program was eliminated, effective July 1, 2002 , in the 2001 Special Session ‘C’ (Chapter 2001-377, Laws of Florida).

### ***Managed Care Mandatory Assignment***

The current law provides that Medicaid recipients who are already enrolled in a managed care plan or MediPass shall be offered the opportunity to change managed care plans or MediPass providers on a staggered basis, as defined by AHCA. Section 409.9122, F.S., governs Medicaid enrollment procedures. Recipients are allowed to choose between a managed care plan and a MediPass provider at the time of enrollment, with certain exceptions. Recipients have 90 days in which to make a choice of managed care plans or MediPass providers. MediPass is a case management program in which physician case managers receive a monthly fee for overseeing and referring their enrollees for appropriate care. Each physician is paid a monthly \$3 fee for each recipient. Paragraph (f) of s. 409.9122, F.S, allows for the diversion of recipients who fail to choose a managed care plan or MediPass provider to managed care plans or provider service networks until an equal enrollment of 50 percent in MediPass and provider service networks and 50 percent in managed care plans is achieved.

### ***Rural Hospitals***

The Agency for Health Care Administration manages a financial assistance program for statutory rural hospitals. Section 409.9116, F.S., dictates that the Agency for Health Care Administration shall make disproportionate share payments to statutory rural hospitals that qualify for such payments and financial assistance payments to statutory rural hospitals that do not qualify for disproportionate share payments. This law applies only to hospitals that were defined as statutory rural hospitals, or their successor-in-interest hospital, prior to July 1, 1998. Hospitals defined as statutory rural hospitals on or after July 1, 1998 must seek assistance through specific appropriation each year.

## **III. Effect of Proposed Changes:**

**Section 1:** Amends s. 409.8177, F.S., to require the Agency for Health Care Administration, in consultation with the Department of Health, the Department of Children and Family Services, and the Florida Healthy Kids Corporation, to contract for an annual evaluation of the Florida Kidcare program to be submitted to the Governor, and the Legislature by January 1 of each year. The 2001-02 General Appropriations Act contains proviso to this affect which will no longer be necessary with this statutory change.

**Section 2:** Amends s. 409.904, F.S., to restore Medicaid coverage for adults eligible through the Medically Needy program but revises program policy to 1) state that expenses used to meet the spend-down liability for a family or person are not reimbursable by Medicaid and 2) increases the medically needy income level by \$270 (from \$180 to \$450) per person per month effective July 1, 2002. This action will continue the Medically Needy program for an estimated average monthly caseload of 24,000. This program was scheduled to be eliminated July 1, 2002 based on legislative action by the 2001 Legislature in Special Session "C".

**Section 3:** Amends s. 409.905, F.S., to provide that a hospital located in a county that has five or fewer hospitals, that began offering obstetrical services on or after September 1999, and has submitted a request in writing to the Agency for a rate adjustment after July 1, 2000, but before September 30, 2000, shall have their Medicaid hospital inpatient per diem rate adjusted to cost, effective July 1, 2002. For subsequent rate semesters, the hospital's rate is to be set in accordance with the methodology of the Medicaid inpatient reimbursement plan. Cost estimates of the adjustments are due to the Agency by October 1 of each year.

**Section 4:** Amends s. 409.906 (1), (12), and (23), F.S., to restore Medicaid coverage for Adult Dental, Visual and Hearing services effective July 1, 2002. This action will continue the program that was scheduled to be eliminated July 1, 2002 based on legislative action by the 2001 Legislature in Special Session "C".

**Section 5:** Amends s. 409.912, F.S., to add a statutory reference for the Pharmaceutical and Therapeutics committee (s. 409.9115, F.S.) and requires the Agency to submit quarterly reports to the Governor and the Legislature on the progress made in implementing cost-effective purchasing of health care and the Medicaid prescribed drug program. The 2001-02 General Appropriations Act contains proviso to this affect.

**Section 6:** Amends s. 409.9116, F.S., to change the date used to qualify a hospital for participation in the disproportionate share/financial assistance program for rural hospitals unless additional funds are appropriated specifically to prevent any hospital eligible for the program from incurring a reduction in payments because of the eligibility of an additional hospital to participate. Eligibility is provided only to hospitals that were defined as statutory teaching hospitals, or their successor-in-interest hospital, prior to July 1, 1999, unless sufficient additional funds are appropriated. The date in current law is July 1, 1998.

**Section 7:** Amends s. 409.9122, F.S., to change the assignment of Medicaid recipients subject to mandatory assignment who fail to make a choice to 55 percent in managed care and 45 percent in MediPass (current law requires an equal ratio of 50/50 respectively).

**Section 8:** The effective date of the bill is July 1, 2002.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, s. 19(f) of the Florida Constitution.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The continued coverage of individuals under the Medically Needy program will benefit health care providers who may have had increased uncompensated care and will provide access to health care for these persons. Continuing coverage of Adult Dental, Visual and Hearing Services will benefit providers by providing reimbursement for services and will provide access to health care for these persons.

C. Government Sector Impact:

The proposed Senate Budget for FY 2002-03 includes the following:

	<b>FY 2002-03</b>	<b>FY 2003-04</b>
<b>Non-Recurring Expenditures</b>		
<b>Restore Medically Needy Program-Conversion</b>		
General Revenue	\$80,000,000	
Administrative Trust Fund	\$428,262	
Grants & Donations Trust Fund	\$18,145,875	
Medical Care Trust Fund	\$113,318,651	
Total	\$211,892,788	

<b>Recurring Expenditures</b>		
<b>Restore Adult Dental, Visual &amp; Hearing Svcs</b>		
General Revenue	\$12,928,110	\$12,928,110
Administrative Trust Fund	\$230,885	\$230,885
Medical Care Trust Fund	\$18,212,789	\$18,212,789
Refugee Assistance Trust Fund	\$517,720	\$517,720
Total	\$31,889,504	\$31,889,504
<b>Mandatory Assignment to 55% Managed Care and 45% MediPass</b>		
General Revenue	(\$1,462,378)	(\$1,462,378)
Grants and Donations Trust Fund	(\$258,711)	(\$258,711)
Medical Care Trust Fund	(\$1,830,960)	(\$1,830,960)
Total	(\$3,552,049)	(\$3,552,049)
<b>Adjust Hospital Inpatient Per Diem Rates</b>		
General Revenue	\$593,487	\$593,487
Medical Care Trust Fund	\$841,095	\$841,095
Total	\$1,434,582	\$1,434,582

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

---

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

---