



Medicaid Reform and the DD/ID Service System in Florida

History: Federal Medicaid funding is a key component of Florida's service system for individuals with disabilities, particularly for those with developmental/intellectual disabilities. Medicaid related funding for these services comes from state and federal dollars through the Home and Community Based Services (iBudget) waiver at about \$1 billion annually; another \$254 million through the Medicaid institutional program known as Intermediate Care Facilities for individuals with developmental disabilities (ICF/IID); and about \$94 million annually for individuals served in state institutions. These funds total about \$1.35 billion, of which about \$810 million originate from Medicaid Trust funds and another \$540 million are from state matching funds. Collectively, about 35,000 individuals with intellectual/developmental disabilities receive services from Medicaid/state dollars.

In May, the U.S. House of Representatives passed the *American Health Care Act of 2017* (AHCA/HR 1628). The bill is projected to result in significant reductions in spending, over \$800 billion over a ten-year period, to the Medicaid program, including reductions in programs for people with disabilities and special education programs. The Act places greater weight on states to pick up the costs of disability services and may remove important health insurance protections for people who have disabilities and significant health issues. The American Health Care Act of 2017 seeks Medicaid block grant funding for states, meaning states would receive a set amount of federal money annually to fund their Medicaid programs. Block granting would change the current state and federal partnership that funds health care for individuals within lower income ranges and would require that states be responsible for covering the costs beyond the federal allotment. Also of concern is a provision in this bill that allows states to obtain waivers to remove prohibitions that prevent disqualifications for coverage for those with pre-existing conditions and charging more for insurance for people who have pre-existing conditions.

The U.S. Senate has introduced their bill, known as the *Better Care Reconciliation Act of 2017* but has postponed a vote to pass the bill until after the July 4, 2017 recess. The impact of the Senate bill appears to be more devastating than the House bill. The Senate bill maintains the per capita cap structure proposed in the House bill. As states cut eligibility and services to address dramatically reduced overall federal funding levels, any per capita cap scenario will inevitably lead to loss of Medicaid eligibility and services for children and adults with disabilities. The Senate bill continues to use cuts and caps to Medicaid as a source of revenue to pay for repealing taxes on health insurance, prescription drugs, medical devices, and numerous other provisions that fund the current law.

The Senate bill ends the extra federal matching funds for the Medicaid expansion states by 2024. No additional states would be allowed to expand Medicaid to cover low income adults

(currently individuals earning up to 138% of the federal poverty level, or \$16,400 per year). The Senate bill attempts to include provisions that acknowledge concerns raised about the Medicaid cuts in the House bill – but the provisions fail to fix the problems.

If there are deep cuts in federal Medicaid spending, states will likely be placed in the position of having to reduce eligibility, limit services and supports, cut reimbursement to providers, or use any number of methods to save money. Per capita caps mean the federal government will set a limit on how much to reimburse states per Medicaid enrollee. A per capita cap model would not account for changes in the costs per enrollee beyond the cost growth limit. To achieve federal savings, the per capita growth amounts would be set below projected rates of growth. Under either of these methodologies, states will likely receive less federal support to administer their Medicaid programs.

Issue: It is anticipated that some type of Medicaid Reform will be approved by the federal administration, either through congressional enactment of a health care act or through changes to federal Medicaid policy. Florida ARF's membership encourages the State of Florida to use federal Medicaid funding reform to fix current problems that exist within Florida's Medicaid system.

We offer the following principles that should be honored by state lawmakers and policy makers when addressing Medicaid reform.

- Florida must ensure a robust Medicaid service system for individuals with disabilities that offers adequate access to needed services. The system must ensure provider choice options, a needs assessment process that accurately reflects individual client needs, adequate reimbursement rates that cover the cost of care, and data driven management systems that ensure proper utilization of resources.
- Florida's menu of optional Medicaid Services must be maintained and even enhanced as the State identifies the additional service needs of its population. Services provided under the Home and Community Based Services Medicaid program are optional for states, which means that programs like the ones our members manage are at the greatest risk if states lose the ability to set reimbursement rates. The programs we provide have been a part of Medicaid for decades and must be protected.
- Medicaid reimbursement rates for Home and Community Based Services waivers must be based on actuarially sound methodologies and should include annual cost of care living increases. Reimbursement rates must support an adequate, well-trained workforce. Currently, provider agencies report the IDD service system is in the midst of a funding crises. Just consider:
 - Medicaid reimbursement rates in Florida pay below actual costs and have been a chronic problem for providers for some time. Currently, iBudget reimbursement rates are about 10% lower than they were on average in 2003. Rate cuts since 2003 have occurred as a way for the state to control deficit spending. Since 2003, the Florida minimum wage has increased by 52% while many unfunded mandates have been added in the form of training requirements, background screening costs, and increased health

care costs for employees. According to the Braddock State of the States 2015 report, Florida ranks 50th of 51 (District of Columbia +50 states) in per capita expenditures for individuals with developmental/intellectual disabilities.

- Just consider, there is a 40+ percent national turnover rate among Direct Support Professionals (DSPs) who offer front-line supports to people with disabilities who need assistance with finding employment, getting ready in the morning, and taking medications.
 - Turnover is high in direct care jobs because Florida's Medicaid rates are too low for providers to be competitive employers, so staff leave to work in other industries that pay better wages. Low wages have created a staffing crisis in Florida's iBudget service system and ultimately mean providers will have to pay more overtime, thereby resulting in staff burnout, higher risk situations, and even higher turnover.
 - The staffing crisis is affecting providers' abilities to meet client needs in their residence of choice. Providers are limited in their ability to develop new community services because of the inability to recruit employees. Without enough employees, providers cannot meet rapidly increasing demand for supports, leading to waiting lists and life complications for individuals with disabilities.
- Programs that serve individuals with developmental/intellectual disabilities should remain carved out from Medicaid managed care service plans which by nature stress service limitations and low reimbursement rates. The carve out of individuals with developmental/intellectual disabilities must continue so that this vulnerable population receives services and supports based on individual needs, not cost containment pressures.
 - Any changes or amendments to Florida's Medicaid system should include stakeholder input prior to implementation. Medicaid policy changes must not neglect the well-being of people with disabilities, their families, or the service providers that support them.
 - Florida must advocate for equitable Medicaid funding that does not penalize states that did not participate in Medicaid "expansion" as allowed for under the Affordable Care Act of 2010. Freezing per capita rates at 2016 levels would disproportionately harm Florida, whereas, other states could make modest cuts with less impact. Florida consistently receives less than its fair share of federal dollars and must therefore ensure that it is receiving its proportionate share of federal Medicaid funding.

Conclusion: Florida ARF and its member agencies seek to ensure that Florida approaches Medicaid reform as an opportunity to "fix" problems within the program. Enhanced state flexibility cannot become an excuse to further reduce and strain service systems that are underfunded and heavy laden with unfunded mandates.

We are committed to working with lawmakers to address these challenges in a manner that is responsive to the needs of the individuals our member agencies serve.