

BUDGET WATCH



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Governor Offers a Plan to Overhaul Florida’s Medicaid Program

There really is no debate that Medicaid needs to change. However, Governor Bush’s new proposal to overhaul the system will certainly spark some. As a prelude to his budget recommendations he will be releasing next week, the Governor recently offered a plan to fundamentally change the federal-state Medicaid program.

The proposal centers on re-making Medicaid to look more like private health insurance—moving away from the centralized, complex government model that has been used since its inception in 1965.

Medicaid costs are escalating at an astonishing rate, threatening to virtually overtake Florida’s budget. The cost of Florida’s Medicaid program has increased more than 15-fold in twenty years, rising from \$900 million in 1985 to more than \$15 billion in 2005. This now consumes 24% of the state budget. The Governor’s Office estimates—assuming current growth—that in just ten years, Medicaid will comprise 59% of the budget.

The Governor said his proposal grew out of some of the ideas and approaches that arose during a series of public meetings on reforming Medicaid that were held last year by the Florida Agency for Health Care Administration.

The Governor’s plan envisions Medicaid participants becoming more involved in their health care decisions. Instead of government paying the bill for each use of the health care system, it would pay the premiums for health care plans offered by insurance companies, HMOs, healthcare providers and community-based systems. These providers would have more flexibility to design plans and offer participants more choices. Under the proposal, participants would be able to choose from a wide array of plans and coverages. The aim is that competition among providers will reduce costs, and participant involvement would give them a say in how Medicaid resources are allocated on their behalf—with the resultant patient-specific plans providing “more bang for the buck.”

The Governor also wants to reward patients for living healthy lifestyles, allowing them to earn enhanced benefits through flexible spending accounts that can be used to purchase additional coverages and services.

The proposal also seeks to emphasize preventative medicine and early diagnosis.

The new plan also provides an “opt-out” feature. Participants would be able to use their Medicaid premiums to purchase employer-based coverage, a sort of Medicaid “voucher” system.

The Governor’s plan does have some sound concepts behind it:

- 1) the use of competition to reduce prices, improve products and spur innovation (although private health care costs have hardly been notable for their stability);
- 2) increased choice and participant involvement to create incentives to use resources wisely;
- 3) limited government intervention; and
- 4) a focus on lifestyle and preventative medicine to reduce long-term health care costs.

What the Governor’s plan does not have is a lot of details. These will be left up to the legislature and the federal government. Of course, nothing can happen without the approval of both.

Critics have already said they believe the plan will result in caps and reduced coverage for participants, particularly with the profit motive being an integral part of the new plan. The Governor has stated that he envisions at least everything covered in the current plan will be covered in the new one, and that this is a way to avoid program cuts in the future.

And while participant empowerment and choice is a laudable objective, it must be remembered that the majority of Medicaid patients are elderly, children or disabled. Care must be taken that they are not overwhelmed by options and information and that choice is a benefit, not a burden. A strong education and counseling component must be included.

The Governor is to be commended for offering a bold initiative. No one else has attempted any change to Medicaid that is even close in magnitude. All eyes will be on Florida. However, the best course for such a bold proposal may be cautious implementation. The Legislature should consider rolling out the change with pilot programs. We must ensure that the health needs of our most vulnerable citizens are protected and pilot programs offer a chance to assess the new plan’s impact and allow for fine-tuning before statewide implementation. This would also probably provide a better chance for federal approval.

The problem of skyrocketing health care costs is not limited to Medicaid. The Governor’s plan offers some promise and may be a better way of administering the Medicaid program. But the real driving forces of Medicaid costs, things like prescription drug inflation and Floridians’ ever-increasing need for long-term care, will continue to put upward pressure on the system.

Let’s hope the Legislature can put forth a truly non-partisan effort to give this proposal the consideration it deserves.

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Florida TaxWatch's empirically sound research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit taxpayers.

This diligence has yielded impressive results: since 1979, policy makers and government employees have implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion--approximately \$1,067 in added value for every Florida family.

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Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

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