

IN PAST ECONOMIC DOWNTURNS, SOCIAL SAFETY NET PROGRAMS HAVE PERFORMED AS LARGE STABILIZERS to support vulnerable populations during times of financial distress. Yet as the past year has shown, the COVID-19 pandemic has placed an unprecedented strain on the country's safety net system. In particular, Medicaid—which provides health insurance to low-income families, children, and disabled individuals—has faced difficulty accommodating the growing wave of enrollments. Even as the economic recovery begins to take form in Florida, the challenges

confronting the state's Medicaid system will remain a forefront issue. For this reason, it is important to understand

how Florida's Medicaid program has fared during the public health emergency and what economic challenges lie ahead as the state goes forward in recovery.

# **COVID-19 AND MEDICAID'S SURGING ENROLLMENT**

Medicaid operates in a countercyclical manner—during times of economic downturn, enrollment and spending increase even as public revenues tend to fall. Alternatively, when the economy is growing, fewer people enroll in the program and spending declines. Throughout large scale recessions, as seen over the past year, growing unemployment precedes a subsequent rise in Medicaid enrollment as individuals lose their source of income, and in many cases, their employer sponsored insurance. For every percentage point increase in national unemployment, an estimated one million more people enroll in Medicaid.¹ For Florida, the state's economy lost 1.1 million jobs throughout 2020, hitting a peak unemployment rate of 14.2 percent. Medicaid enrollment quickly followed.²

TABLE 1. MEDICAID ENROLLMENT IN FLORIDA

ENROLLMENT IN FLORIDA		
Month	Enrollment	
Jan 2020	3,768,303	
Feb 2020	3,773,892	
Mar 2020	3,764,038	
Apr 2020	3,919,759	
May 2020	4,063,269	
Jun 2020	4,144,134	
Jul 2020	4,210,849	
Aug 2020	4,287,874	
Sep 2020	4,345,801	
Oct 2020	4,417,971	
Nov 2020	4,475,335	
Dec 2020	4,529,356	
Jan 2021	4,595,576	
Feb 2021	4,649,833	

<sup>1</sup> PNC Insights, "The Effects of a Recession on Medicaid: What Could be on the Horizon?" Nov. 2019. https://www.pnc.com/insights/corporate-institutional/gain-market-insight/the-effects-of-a-recession-on-medicaid-programs.html#legal

<sup>2</sup> U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) Program, in cooperation with Florida DEO.

Since the start of the COVID-19 pandemic in March 2020, Medicaid enrollment in Florida has risen by 885,000, or about 23.5 percent. As of February 2021 (latest data available), enrollment stood at 4.6 million. According to the Office of Economic and Demographic Research (EDR), Medicaid enrollment is expected to continue climbing in the year ahead, eventually leveling off in 2022 due to a gradual labor market recovery as workers reclaim more jobs.<sup>3</sup> Yet at the moment, enrollment appears to be steadily increasing.

# HOW RISING ENROLLMENT AFFECTS INDIVIDUALS, COMMUNITIES, AND THE STATE

For individuals, heightened enrollment is indicative of a growing need for health care coverage during the pandemic, yet what may be even more significant is what the enrollment numbers do not capture: those in the population who do not qualify under current state eligibility requirements<sup>4</sup> and those who forewent coverage due to financial constraints or concerns about contracting COVID-19 at medical facilities.<sup>5</sup> For individuals who did not seek care either from personal decision or ineligibility, there have been worsening health outcomes for reasons other than COVID-19.

In Florida, delayed or foregone care resulted in about 14,250 excess deaths in 2020 from causes such as diabetes, heart disease, and Alzheimer's.<sup>6</sup> Across the U.S., two-thirds of the nation's excess deaths were attributed to COVID-19 and the other one-third due to individuals not seeking out preventative care.<sup>7</sup> These health outcomes also have economic consequences over time. Research finds that poor health contributes to reduced long-term income, creating a negative feedback loop—a feature more prevalent in lower-income areas.<sup>8</sup>

For communities, rising Medicaid enrollment may lead to health and economic disparities across different areas within the state. When analyzing Medicaid utilization across Florida's 67 counties, it becomes apparent that the counties with the highest usage tend to be in more rural areas. Hendry, Putnam, and Hardee counties were the top three counties, with Medicaid utilization ranging from 33.04 percent to 37.23 percent in January 2021 (See Table 2). Rural areas have fewer health care facilities, and if growing enrollment places an added strain on these communities, then access to health care and quality of service may decline for residents.

For the state of Florida, the most obvious effect of expanding enrollment is the fiscal stress on the state's public finances since Medicaid is jointly funded by the federal government and state. Florida EDR forecasts Medicaid program expenditures to increase to \$31.64 billion in Fiscal Year (FY) 2020-2021 (about 18.7 percent above the FY 2019-2020 total).

FIG 2. TOP 10 COUNTIES WITH HIGHEST MEDICAID UTILIZATION (AS OF JANUARY 2021)

County	Enrollment	% of County Pop.
Hendry	15,245	37.23%
Putnam	25,567	34.68%
Hardee	9,068	33.04%
Dixie	5,300	31.81%
Osceola	120,255	31.07%
Okeechobee	12,566	29.84%
Gadsden	13,780	29.81%
Columbia	21,005	29.74%
Suwannee	13,497	29.69%
Hamilton	4,203	28.85%
Source: Agency for Health Care Administration (AHCA) and Florida TaxWatch		

The same report finds that in FY 2021-2022, expenditures will grow to \$32.57 billion and may create a \$1.25 million Medicaid budget shortfall in the coming year as a federal boost in funding stops.<sup>9</sup>

<sup>3</sup> Florida Office of Economic & Demographic Research (EDR), Social Services Estimating Conference Executive Summary, December 2020. http://edr.state.fl.us/content/conferences/medicaid/execsummary.pdf

<sup>4</sup> Florida is one of 12 states that have not expanded Medicaid under the Affordable Care Act (ACA), which would expand eligibility to all adults making under 138% of the Federal Poverty Line (FPL). As a result, childless adults do not qualify under current requirements in Florida.

<sup>5</sup> According to the Kaiser Health News (KHN), one factor tempering an even larger rise in Medicaid enrollment deals with people's concerns about catching the coronavirus and avoiding care and coverage as a result. See: Kaiser Health News, "The COVID-19 Downturn Triggers Jump in Medicaid Enrollment," July 2020.

<sup>6</sup> Woolf (2020), "Excess Deaths from COVID-19 and Other Causes," Journal of American Medical Association (JAMA). https://jamanetwork.com/journals/jama/fullarticle/2771761

<sup>7</sup> Ibid

<sup>8</sup> Health Affairs, "Health, Income & Poverty: Where We Are & What Could Help," Oct. 2018. https://www.healthaffairs.org/do/10.1377/hpb20180817.901935/full/

<sup>9</sup> Florida Office of Economic & Demographic Research (EDR), Social Services Estimating Conference Executive Summary, December 2020. http://edr.state.fl.us/content/conferences/medicaid/execsummary.pdf

## CHALLENGES FACING THE STATE OF FLORIDA

#### REDUCED FEDERAL FUNDING AS BOOST IN MEDICAID SUPPORT ENDS

In 2020, the federal Families First Coronavirus Response Act (FFCRA) temporarily increased the federal share of Medicaid payments to states meeting certain conditions. This 6.2 percentage point increase over the normal rate is set to stop at the end of the calendar quarter in which the public health emergency (PHE) declaration ends. So far, the enhanced funding has helped Florida weather through the increased costs from rising Medicaid enrollment. But when the PHE is declared over, likely in 2022, the state will lose the infusion of additional federal dollars.

#### FINANCIAL STRAIN ON THE STATE'S MEDICAID BUDGET

As heightened enrollment mixes with a loss of federal dollars (as the 6.2 percentage point boost in federal matching ends), the state will have to contend with budget constraints. As mentioned before, state economists predict a potential budget shortfall for Medicaid in FY 2021-2022, a forecast which, if it holds up, would mean lawmakers will have to make important decisions for the Medicaid budget. Any decision to cut the state Medicaid budget will also lead to a loss in federal matching dollars.

#### ACCESS TO QUALITY HEALTH CARE FOR VULNERABLE POPULATIONS

With important budget decisions on the horizon, a core challenge will be ensuring access to quality health care for Medicaid recipients, primarily consisting of vulnerable populations. For people in low-income communities, restricting the availability of care options would adversely impact health outcomes with spillovers into economic and educational outcomes. As the past year has demonstrated, individual decisions to forego preventative care or pursue elective surgery have led to excess deaths unrelated to COVID-19, and have hurt hospital budgets in these communities. Going forward, telehealth and improved broadband access can serve as vehicles to bridge the gap between communities.

#### FLORIDA'S AGING POPULATION AS THE BABY BOOMER GENERATION RETIRES

Beyond the pandemic's end, Florida's health care system will have to confront an aging population. By 2030, all baby boomers will be age 65 or older, according to the U.S. Census Bureau.<sup>11</sup> Medicare is the primary source of health insurance for seniors; however, as the population grows older, demand for long-term care will inevitably rise, placing a growing fiscal strain on the Medicaid system.<sup>12</sup> Research finds that across the U.S., from 2020 to 2040, Medicaid's portion of long-term care expenditures will rise from \$94 billion to \$167 billion as the population ages.<sup>13</sup>

# **CONCLUSION**

In the year ahead, a lot of unknowns remain as to how Florida's Medicaid system will handle the inflow of new enrollees. Much will depend on the pace of Florida's economic recovery, which will have consequences for individual's incomes and insurance, and ultimately, Medicaid. The recent passage of the federal American Rescue Plan Act of 2021 also factors into the picture. Florida's state government is set to receive more than \$10 billion in aid money from the federal government. Not only will this new stimulus assist Florida as it crafts the state budget for the next fiscal year, but it can help temporarily overcome any financial strains that may result from increased Medicaid enrollment. It should be cautioned, however, that the federal money is non-recurring, whereas Medicaid costs will be recurring.

<sup>10</sup> Journal of Academic Medicine, "Ensuring Access to Quality Health Care in Vulnerable Communities," Sept. 2018.

<sup>11</sup> U.S. Census Bureau, "By 2030, All Baby Boomers Will Be Age 65 or Older," Dec. 2019.

<sup>12</sup> Medicare does not cover long-term care (also called custodial care). In contrast, Medicaid does provide long-term care coverage to enrollees.

<sup>13</sup> American Council of Life Insurers, "Who Will Pay for Our Long-Term Care?" Oct. 2014.

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