



Facts About Florida's Medicaid Program and Possible Reductions

Fast Facts on Medicaid Reductions

1. How much has funding to Florida's hospitals been cut over the past 3-5 years?

Since 2004, funding to Florida's hospitals has been cut an estimated \$441 million. These reductions were mainly to hospital inpatient and outpatient rates; however, legislative changes to patient services and expanded prior authorization for services also occurred. For the current fiscal year, hospital rates have been cut by over 10 percent, including the latest round of cuts during the special session.

2. How much General Revenue has the state been putting into hospital Medicaid services?

The state funds hospital services through a combination of General Revenue, tobacco taxes, hospital taxes, local matching funds, and federal funds. The state-funded portion of hospital services for FY2008-09 is approximately 15 percent of the total funding. Almost six percent of the 15 percent is for the temporary restoration of the Medicaid Medically Needy and the Medicaid Aged/Disabled programs. This is in contrast to the normal matching funds for other service categories, which are funded with 44 percent state funds.

3. What is the Florida Hospital Association's (FHA's) position on the tobacco tax?

FHA supports a tobacco tax increase of at least \$1 per pack. FHA's first priority is to use these additional proceeds to restore recurring funding for the Medicaid Medically Needy and the Medicaid Aged/Disabled programs, which are repealed effective June 30, 2009.

4. What will happen if Medicaid Medically Needy and the Medicaid Aged/Disabled programs are not funded?

If the Legislature fails to fund the Medicaid Medically Needy and the Medicaid Aged/Disabled programs, 45,000 potentially chronically ill Floridians will lose Medicaid coverage. This will increase the number of uninsured and compromise the health of thousands of Floridians. Additionally, hospitals will be forced to shift more than \$782 in lost revenues to those with health insurance or cut back on services.

5. How will hospitals manage the loss of coverage for 45,000 Floridians and the immediate rise in uninsured patients?

Hospitals are not paid the full cost of providing Medicaid services and some are paid at half the cost. Every time the state cuts rates for hospitals, this percentage decreases and fewer of the costs are covered. Generally, these losses are then passed on to

employers and individual policyholders in the form of increased fees and premiums. This is a hidden tax on the businesses of Florida.

6. What other pressures are impacting hospitals?

Hospitals use their investment income to offset the costs of caring for the uninsured. In 2006, investment income, as a percentage of hospital net income, was 37.4 percent. There has been a significant decline in investment earnings since then; therefore, over one-third of net income is at risk. Access to capital funding is now also severely limited. Additionally, declines in investment income of major contributors could have a negative impact on charitable donations to hospitals.

7. What should Florida legislators remember when addressing Medicaid program cuts?

Legislators should recognize that a cut to Medicaid funding will eventually impact the healthcare services available to all citizens of Florida, as well as the overall *cost of healthcare*. Cutting Medicaid is inefficient because for each \$1.00 cut in state General Revenue, Florida must give back \$1.22 to the federal government.