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# U.S. Gives Florida a Sweeping Right to Curb Medicaid

By [ROBERT PEAR](#)

WASHINGTON, Oct. 19 - The Bush administration approved a sweeping Medicaid plan for [Florida](#) on Wednesday that limits spending for many of the 2.2 million beneficiaries there and gives private health plans new freedom to limit benefits.

The Florida program, likely to be a model for many other states, shifts from the traditional Medicaid "defined benefit" plan to a "defined contribution" plan, under which the state sets a ceiling on spending for each recipient.

Children under the age of 21 and pregnant women will be exempt from the limits.

The Florida plan says, "The state will set aside a specific amount of money for each person enrolled in Medicaid," based on the person's medical condition and historic use of health care.

Michael O. Leavitt, secretary of health and human services, approved the proposal 16 days after it was formally submitted to him, with strong support from Gov. [Jeb Bush](#).

After meeting here on Wednesday afternoon with Governor Bush, Mr. Leavitt said: "Today will be remembered as a day of transformation for the Florida Medicaid program. Florida's framework will be helpful to other states."

Joan C. Alker, a senior researcher at the Health Policy Institute of Georgetown University, said: "Florida's proposal is one of the most far-reaching and radical proposals we've seen to restructure Medicaid. The federal government and the states now decide which benefits people get. Under the Florida plan, many of those decisions will be made by private health plans, out of public view."

Vernon K. Smith, a former Medicaid director in [Michigan](#) who is now a consultant to many states, said: "Florida's program is groundbreaking. Every other state will be watching Florida's experience. [South Carolina](#) has developed a similar proposal. [Georgia](#) and [Kentucky](#) are waiting in the wings."

In his state of the state speech to the Florida Legislature in March, Mr. Bush called for transforming Medicaid, saying it was unsustainable in its current form.

"Over the last six years," he said, "Medicaid costs have increased an average of more than 13 percent annually. State revenues grew an average of 6 percent a year."

The plan, to be put into effect over five years, will significantly increase the use of managed care. Questions and answers prepared by federal officials say that a principal aim of the Florida program is "to bring predictability to Medicaid spending and to reduce Medicaid's rate of growth."

President Bush has proposed similar changes at the federal level for several years, but Congress has not accepted those ideas. In Congress, Democrats and some moderate Republicans resisted the president's proposals on the ground that they would have allowed states to reduce coverage for very poor and very sick people. On Wednesday, Mr. Leavitt waived many provisions of federal law, letting Florida make the changes in a demonstration project.

Under the waiver, Florida will establish "a maximum per year benefit limit" for each recipient and fundamentally change its role. The state will largely be a buyer rather than a manager of health care.

In an interview, Alan M. Levine, secretary of the Florida Agency for Health Care Administration, estimated that no more than 5 percent of Medicaid recipients would hit their annual limits. At that point, Mr. Levine said, "the health plan will still be responsible for providing services to the consumer, but the state's reimbursement would be limited to that amount."

Asked whether the beneficiary would be responsible for paying costs beyond the limit, he said: "That can happen today. There are arbitrary limits and caps embedded in the state Medicaid program, limits on home health services, doctors' visits, prescription drugs."

For each beneficiary, Florida will pay a monthly premium to a private plan. Insurance plans will be allowed to limit "the amount, duration and scope" of services in ways that current law does not permit.

The Florida Medicaid director, Thomas W. Arnold, said he believed that insurers would tailor benefits for different groups like people with AIDS and children with chronic illnesses. About half of Medicaid recipients in Florida are children, but they account for less than 20 percent of the costs.

The Florida program includes these features, approved Wednesday by the federal government:

¶If a recipient does not choose a private plan, the person will be automatically enrolled in one that the state selects.

¶Medicaid recipients can "opt out" of Medicaid altogether and receive subsidies to help pay the employee's share of the premium for employer-sponsored health insurance. Those beneficiaries will have to pay co-payments and deductibles like other employees in the same plan, even if the charges exceed normal Medicaid limits.

¶The state will deposit money into individual accounts for recipients who enroll in programs to help lose weight, stop smoking and lead healthier lives.

¶Florida and the federal government will establish a pool of money providing up to \$1 billion a year to help hospitals and other health care providers who treat large numbers of uninsured people.

A spokeswoman for Mr. Leavitt, Christina Pearson, said the decision on the Florida plan was not influenced by the fact that Governor Bush is the president's brother. Federal officials are prepared to approve similar innovative solutions from other states, Ms. Pearson said.

Medicaid provides health insurance to more than 50 million low-income people. The states and federal government jointly finance it.