

This issue brief compares per member per month expenditures for Reform-eligible enrollees for the fiscal year prior to Medicaid Reform implementation to the per member per month expenditures for enrollees in Medicaid Reform plans during the first four months of Medicaid Reform (September 1, 2006, through December 31, 2006).

## Comparison of Medicaid Per Member Per Month Expenditures One Year Prior to Reform to First Four Months of Reform

Effective July 1, 2006, Florida implemented Reform in Broward and Duval Counties. One of the major principles of Medicaid Reform is to make Medicaid spending more predictable. This study compares the per member per month (PMPM) expenditures for all Reform-eligible services provided to Reform-eligible enrollees during the fiscal year prior to implementation of Reform (FY0506) to the PMPM expenditures for enrollees in Reform plans and PSNs during the first four months of Reform (September 1, 2006, through December 31, 2006).

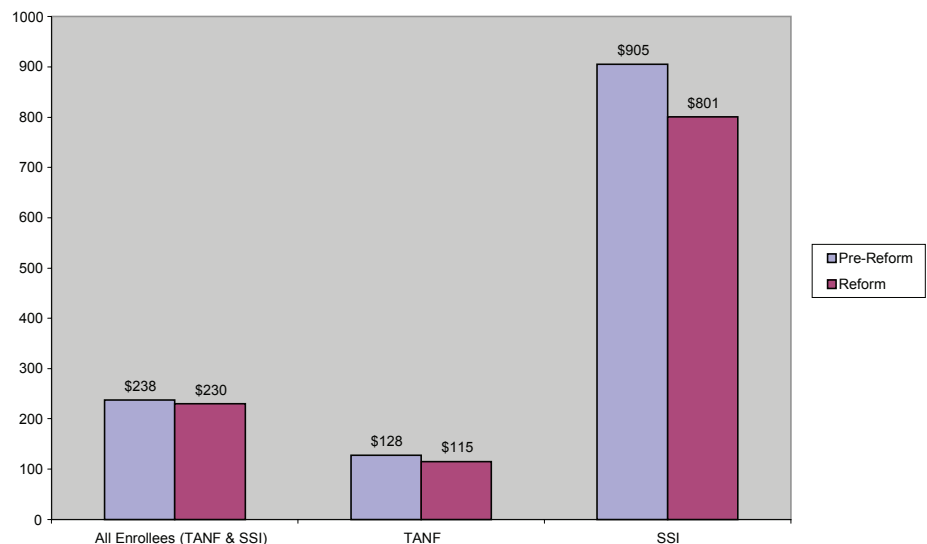
To calculate pre-Reform expenditures, all facility, medical, and pharmacy claims were obtained for all Medicaid enrollees who lived at least one month in Broward or Duval County and were in an eligibility category that would make them Reform eligible during FY0506. This consisted of enrollees whose primary eligibility was through Temporary Assistance for Needy Families (TANF) or Supplemental Security Income (SSI). Because many individuals moved in and out of Duval and Broward Counties and/or changed eligibility during FY0506, only those months in which the individual lived in one of the Reform counties and was in a Reform-eligible category were used to calculate baseline PMPM expenditures and utilization. This analysis uses a person-month approach, meaning each observation corresponds to expenditures by a person in a month. Therefore, each individual could contribute up to 12 observations used in the calculations (one for each month of the fiscal year). Using this method, the final pre-Reform sample included 2,733,140 observations.

To calculate Reform expenditures, all payments made to Reform plans and PSNs for Reform enrollees who were enrolled at least one month in one of these plans or a Reform PSN were included. These payments

covered all services used to calculate the pre-Reform expenditures described above. As with the pre-Reform sample, each observation corresponds to expenditures for a person in a month, meaning each individual could contribute up to four observations in the calculations. This resulted in a final Reform sample of 201,751. Expenditures were compared for (1) all Reform-eligible enrollees (pre-Reform) and all enrollees in Reform plans or PSNs (Reform); expenditures were then (2) broken down by primary eligibility category (TANF vs. SSI); (3) broken down by county (Broward vs. Duval), and (4) broken down by county and primary eligibility category.

As can be seen in Figure 1, total PMPM expenditures in the demonstration counties dropped by an average of \$8 after implementation of Reform (\$238 vs. \$230), a 3% decrease. PMPM expenditures dropped for both TANF and SSI enrollees, although the largest drop was seen among SSI enrollees, where average PMPM expenditures decreased by \$104 (\$905 vs. \$801), an 12% decline.

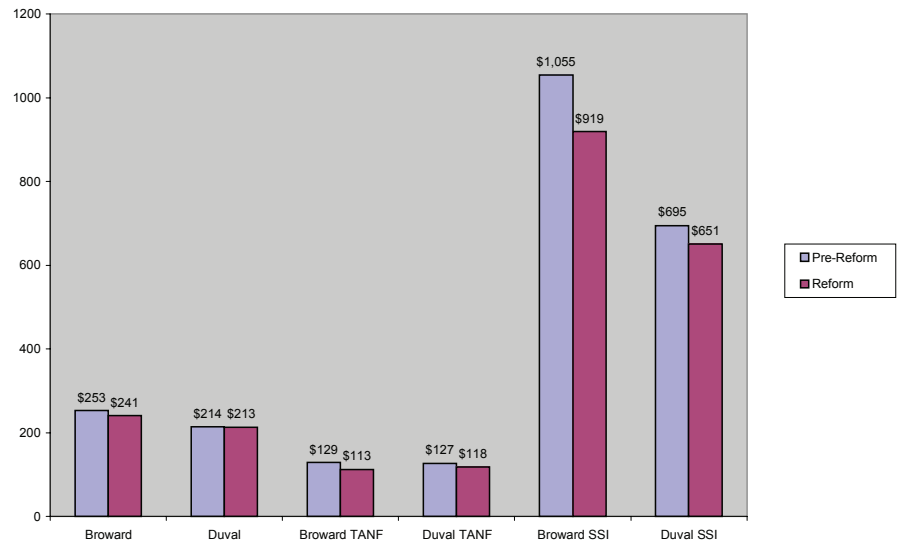
**Figure 1: Total PMPM Expenditures In Broward and Duval Counties In Year Prior to Reform and First Four Months of Reform**



When broken down by county in Figure 2, it can be seen that nearly all of the reductions in expenditures occurred in Broward, where PMPM expenditures dropped by an average of \$12, a 4.7% decrease. Total PMPM expenditures in the pre-Reform and Reform period were nearly identical in Duval. The largest decrease in PMPM expenditures was seen among SSI enrollees in Broward, where PMPM expenditures decreased by \$136, a 12.9% decrease. By comparison, PMPM expenditures for SSI enrollees in Duval dropped by \$44, a 6.3% decrease.

In summary, after the first four months of Reform, PMPM expenditures have decreased compared to PMPM expenditures in the previous fiscal year. It appears that SSI enrollees are experiencing the largest decreases in expenditures under Reform, both in terms of absolute magnitude and percentage decrease, with the largest decrease in expenditures being observed among SSI enrollees in Broward. However, it is important to note that this analysis does not measure individual changes in expenditures pre- and post-Reform. The sample used to calculate PMPM expenditures during the pre-Reform period is a different sample than that used to calculate PMPM expenditures for the post-Reform period. Additionally, while pre-Reform expenditures were calculated directly from claims submitted by individual Medicaid providers to AHCA, the post-Reform expenditures were calculated from either claims or from monthly premiums. The PSNs under Reform were still operating on a fee-for-service basis while the plans were paid monthly risk adjusted premiums directly from AHCA. Therefore, the expenditure amounts do not necessarily measure expenditures for direct care provided to enrollees. Expenditures for direct care during the Reform period cannot be calculated for all enrollees until plans are required to submit encounter data. Because of the lack of encounter data at this time, it is impossible to know precisely where the decreases in expenditures are occurring (e.g., specialty care, emergency room, hospitalizations, etc.). This will

Figure 2: Total PMPM Expenditures by County and Eligibility Category In Year Prior to Reform and First Four Months of Reform



be critical in ultimately determining whether observed decreases in expenditures are due to more efficient provision of care by the plans and PSNs or from reduced access to care. It is also important to note that the Reform expenditures do not include expenditures incurred to administer Reform activities such as the Choice Counseling Program or the Enhanced Benefit Program.

**References:**

<sup>1</sup> Duncan R.P., Bell, L.L., Lemak, C.H., McKay N.L., & Hall, A.G. (2006, July). Summary Report on the Medicaid Reform Section Waiver 1115 Waiver Process. Gainesville, Florida: University of Florida, Department of Health Services Research, Management and Policy.  
<sup>2</sup> Florida Agency for Health Care Administration. Florida Medicaid Reform Application for 1115 Research and Demonstration Waiver. (2005). Tallahassee: Florida.

The University of Florida is conducting a five-year evaluation of Florida’s “Medicaid Reform Initiative” under a contract with the Agency for Health Care Administration (AHCA), Florida’s health policy and planning state agency. The evaluation is for the period of Florida’s Section 1115 Medicaid demonstration waiver (July 1, 2006 – June 30, 2010), which was approved by the U.S. Department of Health and Human Services. The evaluation study is known as the Medicaid Reform Evaluation, or the MRE, and is managed by the Department of Health Service Research, Management and Policy at UF. The Florida Center for Medicaid and the Uninsured is a major partner, with additional partners included on specific projects.

This issue brief is based on a more detailed report produced by the University of Florida Medicaid Reform Evaluation Team. For more information visit <http://mre.php.ufl.edu>.



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