

Medicaid expenditures in Broward and Duval Counties were lower on a per member per month (PMPM) basis during the first two years post Reform than would have been the case in the absence of the demonstration project. The observed differences were greater among SSI enrollees. While differences occurred among both HMO and PSN enrollees, it appears that the differences were greater among PSN enrollees, especially among those eligible through SSI. There were slightly higher PMPM expenditures among TANF enrollees in HMOs.

# An Analysis of Medicaid Expenditures Before and After Implementation of Florida's Medicaid Reform Pilot Demonstration

## Medicaid Reform

The Agency for Health Care Administration (AHCA) was authorized in 2005 by the State of Florida to reform the Florida Medicaid program to improve health outcomes of Medicaid enrollees and ultimately achieve budget stability. With an approved Section 1115 federal waiver and legislative permission, AHCA implemented a demonstration pilot in Broward and Duval Counties in 2006, and expanded the Reform effort to Baker, Clay, and Nassau Counties in 2007.

A key goal of the demonstration is to achieve greater predictability in Florida's Medicaid expenditures, with the ultimate goal of improved capacity to manage program costs. The first step in determining whether the demonstration is meeting this goal is to compare expenditures before Reform began to expenditures experienced in the demonstration. This study compares the Medicaid program's PMPM expenditures for all Reform eligible services provided to Reform eligible enrollees during the two fiscal years prior to implementation of the demonstration (SFY0405, SFY0506) to the PMPM expenditures on behalf of enrollees in Reform HMOs and PSNs during the first two fiscal years of Reform (SFY0607, SFY0708).

## Medicaid Reform Expenditures

Medicaid expenditures were calculated for the first two years of the Reform demonstration (SFY0607 – SFY0708) and compared to the two years immediately preceding the demonstration (SFY0405 – SFY0506) for both of the urban pilot counties and two non-Reform control counties. Hillsborough and Orange Counties were used as control counties as they are reasonably comparable to the demonstration counties in terms of their Medicaid programs and enrollment characteristics during the time period immediately before the demonstration. Expenditures were calculated on a PMPM basis. Each observation corresponds to expenditures on behalf of an enrollee in a month, defined as a person-month. There were 8,107,935 person-months for Broward and Duval Counties and 8,767,532 person-months for Hillsborough and Orange Counties. Since Hillsborough and Orange

Counties do not have any PSN market penetration, comparisons used MediPass enrollment as a proxy for PSN enrollment during the pre-Reform time period. A difference-in-difference approach was then used to compare the change in expenditures of the Reform and non-Reform control counties.

## Findings

Table 1 illustrates combined total fiscal outcomes for enrollees with Medicaid eligibility based on Supplemental Social Security Income (SSI)\* and children and families with eligibility through Temporary Assistance for Needy Families (TANF)\* as well as comparisons between fiscal outcomes of Health Maintenance Organizations (HMOs) and Provider Service Networks (PSNs). Average PMPM expenditures for SSI enrollees in the Reform Counties were \$26 lower during the first two years of the demonstration compared to the two years immediately prior. Average PMPM expenditures were \$150 greater for SSI enrollees in the first two years of the demonstration period in the control counties than the two years pre-Reform. Thus, expenditures for SSI enrollees were lower by \$176 PMPM in the Reform counties relative to the control counties during the first two years of the Reform compared to the two years pre-Reform.

\* The special terms and conditions of the waiver established Medicaid Eligibility Groups (MEGs). Individuals with eligibility based on SSI are classified as MEG #1 and those with eligibility through TANF are classified as MEG #2. In this report, these eligibility groups are referred to as SSI and TANF respectively.

Table 1: Average PMPM Expenditure for All Enrollees

	Broward/Duval (Reform Counties)		Hillsborough/Orange (Control Counties)		Difference-in-Difference (Control minus Reform)	
	SSI	TANF	SSI	TANF	SSI	TANF
<b>All Enrollees</b>						
Pre-Reform Period	809	127	683	126		
Reform Period	783	131	833	136		
Reform minus Pre-Reform	-26	4	150	10	176	6
<b>HMO Enrollees</b>						
Pre-Reform Period	668	126	512	118		
Reform Period	772	138	623	121		
Reform minus Pre-Reform	104	12	111	3	7	-9
<b>PSN Enrollees</b>						
Pre-Reform Period	894	128	860	139		
Reform Period	799	112	1038	157		
Reform minus Pre-Reform	-95	-16	178	18	273	34

Pre-Reform Period is SFY0405 and SFY0506. Reform Period is SFY0607 and SFY0708.

