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January 6, 2013

The Honorable Kathleen Sebelius  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Ave., SW  
Washington, DC 20201

RE: Florida Hospital Association analysis relating to Florida's Agency for Health Care Administration's flawed estimated Medicaid expansion costs

Dear Secretary Sebelius:

While working with you on the proposed Medicaid expansion in Florida, you asked me to provide information that could be useful during discussions with Florida Governor Rick Scott and other state officials. I have attached a recent Florida Hospital Association (FHA) analysis that I recommend to you. The Florida Hospital Association convincingly refutes the flawed and exaggerated cost estimate numbers of Florida's Agency for Health Care Administration (AHCA) relating to Medicaid expansion. I hope you will find this information useful while preparing for you meeting on Monday with Governor Scott and subsequent discussions.

If you have any questions, please feel free to contact me or my Legislative Director, Elizabeth Brown, at (202) 225-3376. Thank you.

Sincerely,

*Kathy Castor*

Kathy Castor  
U.S. House of Representatives  
Florida - District 14

cc: Cindy Mann, CMS Deputy Administrator/Director for the Center from Medicaid and CHIP Services

## **Issue: Agency for Health Care Administration Estimates Related to the Federal Patient Protection and Affordable Care Act are Unrealistic**

**Background:** The Agency for Health Care Administration developed an estimate of the budgetary impact of the Patient Protection and Affordable Care Act (PPACA) which does not comply with the standards required by statute and significantly overstates the state cost of the program. The Social Services Estimating Conference is the entity charged with the responsibility for developing official information to be used for the Florida's Medicaid Program. It is composed of representatives from the Senate and House Appropriations Committees, the Legislative Economic and Demographics Office and the Governor's Office of Planning and Budgeting. Section 216.134, Florida Statutes specifies the duties and responsibilities of the various consensus estimating conferences related to the development of official information to be used for the purposes of state planning and budgeting. The statute specifically provides that all official information developed by the conference shall be based on the assumption that current laws and current administrative practices will remain in effect throughout the period for which the official information is to be used. In early December, 2012 the Agency for Health Care Administration prepared their estimate of the costs and caseloads associated with the PPACA implementation and presented this information to the Legislative Office of Economic and Demographic Research. The purpose was to use this information as the basis for the official forecast of costs related to PPACA. After this data was submitted the estimating conference meeting scheduled for the December 17<sup>th</sup> was cancelled abruptly and a new estimating conference was not rescheduled. At this time the state has no official PPACA estimate as a basis to develop recommendations for the Fiscal Year 2013-14 state budget.

**Deficiencies with the Agency Analysis:** The Agency analysis was required by statute to be based on current laws and current administrative practices and it appears to have failed to meet that standard. Following is a list of the deficiencies which are obvious from the analysis:

1. The analysis does not use the authorized Federal Medical Assistance Percentages (FMAP) included in the PPACA. Instead the analysis creates a new methodology using average FMAP over the past twenty years and totally ignores the federally approved rates of 100% in the first three years and also the declining rates down to the federal maximum of 90% in 2020. The effect of this grossly overstates the state cost of the program by over \$14.4 billion.
2. Caseload and utilization estimates for individuals currently eligible but not enrolled appear to be based on an unrealistic scenario with all eligible individuals enrolling on the first day at the beginning of the program and remaining enrolled. Florida's Medicaid Program began in the early 1970's and Florida has never managed to enroll 100% of eligible individuals into the program so it is unlikely that these caseloads projections are valid.
3. Caseload and utilization estimates for individuals newly eligible for Medicaid also appear to be overstated with 100% enrollment of all individuals in just 3 years. Current Medicaid enrollment only attracts approximately 80% of those actually eligible.
4. Additional cost assumptions related to increased Medicaid administrative costs and the impact of the Health Insurance Tax on managed care rates may also be questionable because the state can control administrative costs and some managed care plans may choose not pass on the entire tax cost to the state in a competitive procurement environment.

**Conclusion:** This agency analysis does not comply with the statutory provisions of the PPACA or the state requirements for determining official information for the purposes of planning and budgeting. Projections grossly overstate Florida's financial obligations under the PPACA.