Medicaid Hospital Cuts Hurt Beneficiaries, Providers, the Privately Insured and Local Economies

Anne Swerlick
April 2017

During budget season, the Medicaid program — a key safety net for 4 million Floridians — is a popular target for cuts. This year, hospitals are in the crosshairs.

Medicaid cuts hurt all of us. This mantra needs to be front and center as the Florida Legislature considers deep cuts to the program.

The House and Senate Appropriations Committees have approved proposed budgets that include deep Medicaid cuts for hospitals, ranging from $258.6 million in the Senate to $621.8 million in the House. The Senate’s less draconian cuts presume that the federal government will continue to provide supplemental hospital funding through the Low Income Pool (LIP). While Senator Flores, Chair of the Senate Health Care Appropriations subcommittee, is optimistic that the feds will approve these funds in time for finalization of Florida’s 2017-18 budget, federal approval is not yet a done deal.

Under any of these scenarios, hospitals will absorb significant revenue losses, particularly those serving a disproportionate number of Medicaid beneficiaries, as well as the uninsured and underinsured.

This is not just a “provider reimbursement issue.” These cuts have a ripple effect on Medicaid beneficiaries’ access to care, the cost of care for all hospital patients and the financial health of local economies.

Over 2 million children are served through Medicaid, including children with disabilities who rely on hospital services for critical developmental, therapeutic and treatment services. Children with complex medical conditions and their families are particularly hard hit when the Medicaid budget is slashed. The Medicaid benefit package includes therapies and in-home assistance not covered by commercial insurance. Without such services these children would likely have to be institutionalized.
Notably, 63 percent of all deliveries in Florida are covered by Medicaid. Fragile premature infants depend on hospital neo-natal care units to survive and as these children grow and develop, the pediatric services offered through hospital based clinic services are critical.

Hospitals are also central to treatment and recovery for patients with catastrophic illnesses (cancer, strokes) or accidents.

With millions of dollars on the chopping block, some hospitals will undoubtedly be forced to eliminate or reduce these vital services. Where will these patients go for care, given continuing shortages of Medicaid providers?

The increase in uncompensated care will lead to more cost shifting to privately insured patients and higher insurance premiums for both individuals and employers.

Reductions in hospital funding must be absorbed somewhere. Florida Medicaid reimbursement rates are already extremely low. Each time they are reduced, provider capacities/services are further stretched, and in some instances, are eliminated.

Finally, each time state funding for Medicaid is reduced, the state loses even more in federal funding. Reducing the flow of millions of state and federal dollars into our local economies takes away jobs and financial support for a myriad of local businesses.

These proposals unfairly balance Florida’s budget on the backs of the most vulnerable Floridians, as well as hospital patients, the insured, and local economies. This is a penny wise and pound foolish approach to addressing the needs of Florida families and their communities.