

# INTRODUCTION TO THE REVIEW OF LEGISLATION HEALTH CARE REFORM IN FLORIDA: PROMOTING IMPROVED ACCESS, COST, AND QUALITY

THE HONORABLE LAWTON CHILES  
GOVERNOR OF FLORIDA

I am pleased to introduce this edition of the annual Review of Florida Legislation. In accord with the Review's mission of highlighting issues which need legislative attention, I will outline the challenges we face in health care reform.

Access to quality health care is the right of every Floridian—not the luxury of a privileged few. That's why we have taken steps to make Florida a national leader in health care reform. Our effort to increase health care access is giving more people the opportunity to afford quality care for themselves and their families. Our reforms are strengthening our businesses and protecting our state budget from the spiraling cost of health care.

Today, a record number of consumers are embracing managed care as a high-quality, more affordable health care option. More than 60,000 Floridians—fifty-four percent who were previously uninsured—now have health care coverage through the state's new Community Health Purchasing Alliances. In 1994, Florida employers saw worker's compensation premiums drop nearly ten percent and health care costs decrease for the first time in six years by 10.6 percent. Growth in Florida's Medicaid program has been cut in half, resulting in savings of \$206.8 million since 1990, and industry priorities are shifting toward establishing quality as the first measure of success.

## I. HISTORY OF REFORM

In the early 1990s, Florida sailed into the uncharted waters of health care reform with no map or rulebook. We had the fourth highest uninsurance rates in the nation with more than 2.7 million people without health care coverage. Our health care costs were tripling every decade—projected to reach \$90 billion annually by the year 2000. Florida's Medicaid program expenditures were growing nearly twenty-seven percent per year, and our health care financing system depended largely on shifting the cost of care for the uninsured to the insured.

We established our goals to provide access to health care for all Floridians—to reign in spiraling health care costs and to ensure quality of care. Next, we began laying the groundwork for our basic reform strategy known as managed competition—a market-based approach to reform that

maintains the private system of employer-sponsored health insurance that covers most Americans. It relies on strong public-private partnership, minimal government intervention, and competition.

With the Health Care Reform Act of 1992,<sup>1</sup> Florida took its first step towards a universal access system by creating the Agency for Health Care Administration (AHCA). The call for a single state health agency was not new. In fact, the stage was set for the merger of health care regulatory functions in 1991, when two legislatively created task forces identified the establishment of a single state agency as a necessary ingredient of significant health reform in Florida.

Today, AHCA represents the Governor and Legislature on health care policy and reform initiatives; licenses and monitors the quality of Florida's more than 14,000 health care facilities and 350,000 health care professionals; administers Florida's \$6.7 billion Medicaid program; tracks Medicaid expenditures to eliminate fraud and abuse; and negotiates health care coverage for 343,000 state employees, dependents, and retirees.

## II. THE CHPA RECORD OF ACHIEVEMENT

Private sector involvement is a key to the success of our reform effort. In November of 1992, the state hosted the Florida Health Care Summit—a forum for identifying, ranking, and developing public-private partnerships to resolve Florida's health care challenges. This forum helped pave the way for the Health Care and Insurance Reform Act of 1993.<sup>2</sup> This legislation implemented significant small employer health insurance reforms and established Florida as the first to test managed competition on a statewide basis through the Community Health Purchasing Alliances (CHPAs).

The state-chartered, non-profit CHPAs are the centerpiece of our trailblazing reform initiatives. The CHPAs reach out to employees and small employers who generally cannot afford health insurance—the seventy-five percent of Florida's uninsured who are working and the ninety percent of Florida is businesses with fifty or fewer employees.

The CHPAs now provide 60,000 people and 14,000 small businesses the same access to affordable, high-quality insurance that larger companies have enjoyed for years. Unique features of our CHPAs include savings of five to thirty percent; quality coverage through nationally known insurance companies; employee choice among an unlimited number of benefit plans; and one monthly premium check.

The future is bright for our CHPAs. In fact, Geoffrey E. Harris, a leading Wall Street analyst, predicts that by the year 2000, thirty percent of all insured working Americans will obtain health coverage through a purchasing alliance such as a CHPA. Industry experts also suggest that the CHPAs have spawned lower health insurance rates through direct price competition.

---

1. 1992, Fla. Laws ch. 92-33.

2. 1993, Fla. Laws ch. 93-129.

The CHPAs are also credited with reshaping the way the industry does business—providing customers with an unbiased source of information. While it is too early to measure the impact of managed competition on the commercial marketplace in precise, quantitative terms, our reforms are helping to build a more efficient marketplace where products can be better compared on the basis of price and, most importantly, quality.

### III. EXPANDING MANAGED CARE

Increased competition also has resulted in an expansion of managed care—a partnership among health professionals and insurers to provide cost-effective, high-quality care to consumers. A recent survey of Florida's largest employers, representing 900,000 employees, found that use of health maintenance organization (HMO) plans—just one form of managed care—increased from five percent in 1993 to forty-five percent in 1994. Today, nearly 3.4 million Floridians, nearly one-quarter of the state's population, are enrolled in an HMO. Prior to managed competition, HMOs were generally confined to our major metropolitan areas. Now, managed care options are available in all but a few Florida counties.

Several studies indicate that managed care is largely responsible for declining health care costs. Managed care has also contributed to stabilizing Medicaid growth. From 1985 to 1990, Florida's annual per Medicaid recipient costs jumped thirty-eight percent. Since the expansion of Medicaid managed care, the annual increase in per recipient cost is now five percent.

### IV. HIGH STAKES FOR HEALTH CARE

The changing state-federal relationship has made the stakes in health care reform higher than ever. Florida is one of the nation's fastest growing states. The 1995 congressional budget debate demonstrated the devastating effect block grants could have on our state if they don't recognize our state's growth. We face a future in which even more Floridians may be thrown into the ranks of the uninsured and Florida's most vulnerable citizens—the elderly, the disabled, and children—are at greater risk than ever before. Those who can afford health care coverage will pay the difference in higher hospital costs, insurance premiums, and taxes.

A byproduct of a more competitive, cost-conscious health care market is the temptation to cut costs by cutting the quality of the care. Responding to the needs to improve health care access and control costs, the Legislature has mandated that most Medicaid recipients be enrolled in managed care by June, 1996. Medicaid recipients will choose between an HMO or MediPass, a physician-based program of Medicaid managed care. Assignments to an HMO or MediPass will be made only when a recipient does not make an independent choice. Quality will continue as the benchmark for provider selection.

## V. 1996: BUILDING ON SUCCESS

We have made a terrific start to address health care issues in Florida but there is still more work to do. This year, we will challenge the Florida Legislature to promote the highest standards of quality in the industry at large and in managed care in particular. We also will step-up our anti-fraud and abuse initiatives and work hard to eliminate duplication and waste in Florida's health care system. In February, we will conduct an industry forum—Meeting the Challenge: Governor's Conference on Health Care Quality—to establish new measures for health care quality and further explore ways to contain costs without compromising care.

Health care reform is all about building better families and stronger communities in our state. It's about making Florida the greatest place on earth to live, work, and visit. We've made significant progress to pave the way for continuing the momentum of positive change for our people. In order for our achievement to continue, government and industry must work together and be ever-vigilant in the pursuit of access to high-quality, affordable health care for all Floridians. That top priority is our bottom line.