CBS Miami

Error Causes Medicaid Shortfall For Florida Hospitals

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TALLAHASSEE (CBSMiami/NSF) – Medicaid officials made a calculation error that has resulted in upward of a $100 million shortfall in payments to Florida hospitals this fiscal year for caring for poor, elderly and disabled patients.

Sen. Aaron Bean, R-Fernandina Beach, and Rep. MaryLynn Magar, R-Tequesta, told The News Service of Florida on Wednesday that Agency for Health Care Administration Secretary Mary Mayhew discussed the error with them and gave assurances she wouldn't need additional funding this year to make up for the shortfall.

It's not clear whether it will be an issue for the 2020-2021 fiscal year, which starts July 1.

But the House and Senate have not proposed reducing hospital budgets for the next fiscal year and, when crafting their proposed budgets, relied on reimbursement data that was provided to them in part by the Agency for Health Care Administration.

Because that data is faulty, the mistake could have a negative impact on hospital funding in the budget that lawmakers are currently piecing together.

AHCA Communications Director Katie Strickland said in a prepared statement to the News Service that preliminary estimates show that "hospitals are receiving less reimbursement than what they should receive."

Strickland didn't answer questions about whether AHCA would need additional funding to compensate for the mistake in 2020-2021.

Magar, who is the House's chief health-care budget writer, said the House is "looking into it." The revelation comes as lawmakers are heading into the final two weeks of the legislative session. They will need to wrap up negotiations on the 2020-2021 budget, including how much to spend on Medicaid services.

In the budget process, lawmakers agree on an overall amount of money to spend on hospital services. But the state uses what is known as a diagnostic related group — or DRG — payment method to set reimbursement rates.

In general, a DRG payment covers all charges associated with an inpatient stay from the time of admission to discharge. AHCA contracts with the health-care consulting firm Navigant to recalibrate DRG payments, a complex task that requires projections on the numbers of hospital patients, the types of care they require and the complexity of the care.

Navigant overestimated the number of "neonates," or infants, who would require hospital care this fiscal year.

Neonates are expensive to care for and, in order to maintain budget neutrality, Navigant recalibrated the base DRG rate downward.

The result is that the lowered per-admission reimbursement level for patients isn't being offset by an increase in neonate care.

Bean, who met with Mayhew on Tuesday, said the AHCA secretary estimated the hospital underpayments have ranged between $85 million and $100 million this fiscal year. Bean is the Senate's top health-care budget writer.

The mistake negatively impacted almost every hospital in the state but had a particular effect on children's hospitals because of their high Medicaid caseloads and the acuity rates of the patients.

Memorial Healthcare System is one of the largest hospitals systems in the state and includes under its umbrella Joe DiMaggio Children's Hospital.

The Broward County-based system first detected the mistake in January as it processed Medicaid payments it had received in the last six months of 2019, President and CEO Aurelio M. Fernandez said in a prepared statement to the News Service.

"We will be working with the Legislature and AHCA on a solution to resolve this data error and restore this vital funding for Medicaid patient care provided by Memorial Healthcare and other Florida hospitals," he said in the statement.

Meanwhile, Bean and Magar gave Mayhew credit for being forthcoming about the mistake, with Bean noting that she "acknowledged the problem, has accepted responsibility and is working on a solution."

Magar noted that "it's good that we found it now, and obviously the budget is still fluid. So I think this is better than later."