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November 17, 2021

Tom Wallace
 Deputy Secretary for Medicaid
 Florida Agency for Health Care Administration
 2727 Mahan Drive – Building 3
 Tallahassee, FL 32308-5407

[Sent via email: thomas.wallace@ahca.myflorida.com]

Re: Agency Estimated Fiscal Impact of Florida Minimum Wage Increases

Dear Tom:

Pursuant to the 2021 to 2022 General Appropriations Act (GAA), State of Florida agencies are required to review all agency contracts that may be impacted by the GAA and provide estimated financial impacts by year. The Agency for Health Care Administration (Agency) retained Milliman, Inc. (Milliman) to estimate the impact of the change in the minimum wage to the Agency's expenditures over the next five state fiscal years (July to June) and rate years (October to September) per the statement of work dated August 20, 2021 and approved by the Agency on August 23, 2021.

The accompanying report details the assumptions and methodology used to develop estimates for all Agency expenditures including services provided via fee-for-service (FFS) and through pre-paid health plans. We calculated the estimated impact of the minimum wage increases by year assuming that the Medicaid fee schedules will be updated to reflect the estimated increases in direct care costs for services paid by the Agency (FFS costs) or costs paid by capitated health plans the Agency contracts with to provide services for certain populations (pre-paid health plans).

Tables 1 and 2 show the estimated impact of the increases in the minimum wage separately for FFS and pre-paid health plan expenditures by state fiscal year (SFY) and rate year (RY), respectively. The minimum wage impact varies significantly by category of service dependent upon wage level of the provider mix administering services. For example, the impact on home and community-based services (HCBS) is higher than the impact on hospital services, due to the number of providers who are paid at or near minimum wage. The impacts shown in Tables 1 and 2 display the overall impact across all services, with more information provided in Section II of the accompanying report of the impact by provider type.

The amounts in Tables 1 and 2 are the cumulative changes relative to a baseline prior to any increases in the minimum wage.

Table 1 Agency Estimated State Fiscal Year (SFY) Expenditures Estimated Cumulative Impact of Minimum Wage Changes						
	Change (\$Millions)			Change (%)		
	FFS	PrePaid	Total	FFS	PrePaid	Total
SFY 21/22	\$0.0	\$7.6	\$7.7	0.0%	0.0%	0.0%
SFY 22/23	\$6.6	\$31.2	\$37.8	0.1%	0.1%	0.1%
SFY 23/24	\$17.2	\$78.8	\$96.0	0.2%	0.3%	0.3%
SFY 24/25	\$33.5	\$154.5	\$188.0	0.3%	0.7%	0.5%
SFY 25/26	\$55.7	\$260.1	\$315.7	0.5%	1.1%	0.9%
SFY 26/27	\$84.1	\$396.7	\$480.8	0.7%	1.6%	1.3%
SFY 27/28	\$93.2	\$440.3	\$533.5	0.8%	1.7%	1.4%

Table 2 Agency Estimated Rate Year (RY) Expenditures Estimated Cumulative Impact of Minimum Wage Changes						
	Change (\$Millions)			Change (%)		
	FFS	PrePaid	Total	FFS	PrePaid	Total
RY 21/22	\$0.4	\$10.2	\$10.6	0.0%	0.0%	0.0%
RY 22/23	\$8.2	\$38.3	\$46.5	0.1%	0.2%	0.1%
RY 23/24	\$20.2	\$92.3	\$112.5	0.2%	0.4%	0.3%
RY 24/25	\$38.0	\$175.2	\$213.2	0.3%	0.7%	0.6%
RY 25/26	\$61.6	\$288.3	\$349.9	0.5%	1.2%	1.0%
RY 26/27	\$91.6	\$432.8	\$524.4	0.8%	1.7%	1.4%

Tables 1 and 2 only show the impact through the full implementation of the \$15.00 minimum wage. **The ultimate impact of the minimum wage increase will persist after the time periods shown in this letter.**

There are likely many economic impacts that result from the increases in the minimum wages that we have **not** estimated as part of this letter, as outlined in Section I of the report. Individually or in aggregate, each of the non-modeled impacts could have a significant impact upon the actual expenditure estimates included in this letter.

OUTSTANDING ITEMS AND FUTURE UPDATES

This letter and the accompanying report provide estimates of the impact of the minimum wage changes at a broad category of service level. We are working with the Agency to provide more specific estimates of the provider types within each category of service to identify the fee schedule types that may need updating as a result of the minimum wage changes. We anticipate providing these more specific estimates on December 10.

CAVEATS AND LIMITATIONS

We prepared this letter for the specific purpose of developing estimates of the fiscal impact of increasing the minimum wage on Agency expenditures. This letter may not be appropriate, and should not be used, for other purposes.

This letter is intended solely for the use and benefit of the Florida Agency for Health Care Administration, and it is only to be relied upon by the Agency. Milliman recognizes that materials it delivers to the Agency may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to other parties who receive this work. It should only be distributed and reviewed in its entirety.

In preparing this material, we relied on several sources of data and information provided by the Agency. Those data sources and information include SSEC expenditure estimates and case load projections. We relied on the Agency for the accuracy of this information. **We did not audit any of the data sources or other information**, but we did assess the data and information for reasonableness. If the data or other information used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

Milliman has developed certain models to estimate the values included in this letter. The intent of the models was to develop estimates of the fiscal impact of increasing minimum wage. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output, may not be appropriate for any other purpose.

Agency budget expenditures will differ from the estimates included in this letter due to differences in health care trend, provider reimbursement levels, enrollment demographic changes, the impact of the COVID-19 pandemic, and many other factors. It is certain that actual experience will not conform exactly to the assumptions used. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

The results of this letter are technical in nature and are dependent upon specific assumptions and methods. No party should rely on these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.



Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Jill Bruckert and Andrew Gaffner are consulting actuaries at Milliman, are members of the American Academy of Actuaries, and meet the Qualification Standards of the Academy to render the actuarial communication contained herein. To the best of their knowledge and belief, this communication is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

This letter is subject to the terms and conditions of the October 12, 2021 contract between the Agency and Milliman.



Thank you for the opportunity to assist the Agency with this important project. If you have any questions, please contact Andrew at 262 641 3562 or Jill at 262 796 3445.

Sincerely,

Andrew Gaffner, FSA, MAAA
Principal and Consulting Actuary

Jill A. Bruckert, FSA, MAAA
Principal and Consulting Actuary

AG/JAB/bl

Attachment



REPORT 45

Minimum Wage Impact on AHCA Expenditures

MILLIMAN REPORT

State of Florida - Agency for Health Care Administration

Estimated Fiscal Impact of Florida Minimum Wage Increases

November 17, 2021

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This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

I. BACKGROUND INFORMATION AND SUMMARY OF RESULTS

On November 3, 2020, Florida voters approved Amendment 2¹, which increases the state's hourly minimum wage according to the following schedule:



Subsequent to these increases, the minimum wage will be adjusted annually for inflation, beginning in 2027.

Pursuant to the 2021-2022 General Appropriations Act (GAA), State of Florida agencies are required to review all agency contracts that may be impacted by this regulation and provide estimated financial impacts by year. The Agency for Health Care Administration (Agency) retained Milliman, Inc. (Milliman) to estimate the impact of the change in the minimum wage to the Agency's expenditures over the next five state fiscal years (July to June) and rate years (October to September).

The estimates in this report are for all Agency expenditures included in the August 2021 Social Services Estimating Conference (SSEC) including services provided via fee-for-service (FFS) and through pre-paid health plans. **We calculated the estimated impact of the minimum wage increases by year assuming that the Medicaid fee schedules will be updated to reflect the estimated increases in direct care costs for services paid by the Agency (FFS costs) or costs paid by capitated health plans the Agency contracts with to provide services for certain populations (pre-paid health plans).** For expenditures that have a reoccurring appropriated budget amount we did not estimate any change to expenditures as a result of the wage increases.

There are likely many economic impacts that result from the increases in the minimum wages that we have not estimated as part of this report, including but not limited to those listed below. Individually or in aggregate, each of the following non-modeled impacts could have a significant impact upon the actual expenditure estimates included in this report.

- Increase in wages may change the supply of providers as more individuals may be willing to enter professions that previously were low wage positions. This increase in supply may lead to changes in utilization of services. We have not estimated these potential utilization impacts.
- The increases in the minimum wage may have an upward impact of wages of individuals above the new minimum wages as their colleagues receive raises. For example, the increases in minimum wage may cause corresponding increases to individuals above the new minimum wages to maintain pay differentials between positions and levels of experience. We have not estimated the potential incremental impact on wages paid to individuals with hourly rates greater than the new minimum wage.
- The expenditures shown in this report are a combination of federal and state spending. Each year, income information for the previous three calendar years is reviewed to establish each state's federal medical assistance percentage (FMAP) using the following formula:

$$FMAP = 1 - \frac{(State\ Income\ Per\ Capita)^2}{(National\ Income\ Per\ Capita)^2} * 45\%$$

As such, states with higher income per capita receive a lower percentage of total costs funded by the federal government than states with lower income per capita. Florida's FMAP may decrease if the change in minimum wage increases Florida's state income per capita at a higher rate than the national income per capita. We have not estimated potential changes to Florida's FMAP and the potential impact on state expenditures.

¹ <http://www.leg.state.fl.us/statutes/index.cfm?submenu=3#A10S24>

This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

- Medicaid eligibility is a function of the level of income for an individual or family and is typically tied to a percentage of the federal income poverty level (FPL). We did not estimate any change in the count of Medicaid beneficiaries that may occur if individuals no longer fall under the income thresholds or have employment changes after increases to the minimum wage in Florida.
- We have not explicitly modeled any impact on program expenditures as a result of COVID-19, outside of the case load projections provided by the Agency that anticipate a decrease in enrollment after individuals are allowed to be disenrolled from Medicaid at the conclusion of the public health emergency (PHE).
- The expenditure increases in this report reflect estimated changes in the cost of reimbursement for direct care services due to rising wages. There are additional cost increases that the Agency may be subject to as a result of cost increases, such as an increase in supplies due to increasing wages at the supplier. We did not estimate any increase in non-direct care costs.
- These estimates assume a consistent program design, provider landscape, and overall utilization of services. Future changes to any of these aspects of the program may impact program expenditures, and therefore may invalidate the incremental impact of these estimates.
- These estimates are calculated based on increases to the minimum wage as of January 2021 and do not consider increases to the minimum wage that may have occurred in absence of Amendment 2 above the current \$8.65 per hour.

RESULTS SUMMARY

Tables 1 and 2 show the estimated impact of the increases in the minimum wage separately for FFS and pre-paid health plan expenditures by state fiscal year (SFY) and rate year (RY), respectively. The minimum wage impact varies significantly by category of service dependent upon wage level of the provider mix administering services. For example, the impact on home and community based services (HCBS) is higher than the impact on hospital services, due to lower wage providers. The impacts shown in Tables 1 and 2 display the overall impact across all services, with more information provided in Section II of this report of the impact by provider type.

The amounts in Tables 1 and 2 are the cumulative changes relative to a baseline prior to any increases in the minimum wage. Additional detail of the type of expenditures within FFS and pre-paid health plans is included in Exhibits 1 and 2. Appendix A contains a mapping of the Agency expenditure types into the subgroupings of FFS and pre-paid health plans.

Table 1						
Agency Estimated State Fiscal Year (SFY) Expenditures						
Estimated Cumulative Impact of Minimum Wage Changes						
	Change (\$Millions)			Change (%)		
	FFS	PrePaid	Total	FFS	PrePaid	Total
SFY 21/22	\$0.0	\$7.6	\$7.7	0.0%	0.0%	0.0%
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This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

	Change (\$Millions)			Change (%)		
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RY 26/27	\$91.6	\$432.8	\$524.4	0.8%	1.7%	1.4%

Tables 1 and 2 only show the impact through the full implementation of the \$15.00 minimum wage. **The ultimate impact of the minimum wage increase will persist after the time periods shown in this report.**

The remainder of this report outlines the methodology and assumptions used to estimate the expenditure increases.

DATA RELIANCE AND IMPORTANT CAVEATS

We prepared this report for the specific purpose of developing estimates of the fiscal impact of increasing the minimum wage on Agency expenditures. This report may not be appropriate, and should not be used, for other purposes.

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In preparing this material, we relied on several sources of data and information provided by the Agency. Those data sources and information include SSEC expenditure estimates and case load projections. We relied on the Agency for the accuracy of this information. **We did not audit any of the data sources or other information**, but we did assess the data and information for reasonableness. If the data or other information used is inadequate or incomplete, the results will be likewise inadequate or incomplete.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to develop estimates of the fiscal impact of increasing minimum wage. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output, may not be appropriate for any other purpose.

Agency budget expenditures will differ from the estimates included in this report due to differences in health care trend, provider reimbursement levels, enrollment demographic changes, the impact of the COVID-19 pandemic, and many other factors. It is certain that actual experience will not conform exactly to the assumptions used. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

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This report is subject to the terms and conditions of the October 12, 2021 contract between the Agency and Milliman.

This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

II. ESTIMATED PERCENTAGE OF MINIMUM WAGE CHANGES

The impact of the change in the minimum wage has a varying impact by type of service based on the provider mix used to deliver these services and their corresponding wages. For the purposes of this analysis we categorized expenditures into four broad categories of service to estimate the provider mix and resulting impact of wage changes.

- Hospital services
- Professional services
- Home-and-community based services (HCBS)
- Nursing facility services

For each broad category we reviewed the more recent wages for the provider mix administering the services and estimated the impact of the yearly increases from \$10.00 effective September 30, 2021 to \$15.00 effective September 30, 2026. The remainder of this section outlines the methodology for calculating the percentage impact for each of the four broad categories of service.

HOSPITAL AND PROFESSIONAL SERVICES

Hospitals and professional services providers employ a variety of individuals whose wages may be impacted by the increase in Florida minimum wages. These individuals provide health and non-health related services, including management, clerical, food services, and housekeeping functions.

To simplify the analysis of the impact of the Florida minimum wage increases on professional service costs, we assume that all professional services have the same distribution of wages as physician practice costs. Similarly, to simplify the analysis of the impact of the Florida minimum wage increases on hospitals, we assume that all hospital services have the same distribution of wages.

We estimated the impact of the increase in Florida minimum wages on costs for hospital and professional services providers using a two-step methodology. First, we estimated changes in direct employee wages associated with the yearly minimum wage increases effective September 30, 2021 through September 30, 2026. Then, we applied the estimated changes in direct employee wages to the estimated portion of operating hospital and total physician practice costs that are associated with direct employee wages.

Changes in Direct Employee Wages

We estimated changes in direct employee wages using Occupational Employment and Wage Statistics (OEWS) research estimates by state and industry from the United States Bureau of Labor Statistics (BLS). To estimate the change in weighted average direct employee wages for hospitals, we relied on OEWS research estimates for Florida hospitals. To estimate the change in weighted average direct employee wages for physician practices, we relied on OEWS research estimates for Florida offices of physicians.²

The OEWS research estimates provide total employee counts and hourly wages by 10th, 25th, 50th, 75th, and 90th percentiles for the employees of Florida hospitals and physicians offices. This information is summarized for each BLS Standard Occupational Classification (SOC) code.

We linearly interpolated and extrapolated from the given hourly wage percentiles for each SOC code to establish a baseline to estimate the impact of the minimum wage increases in effect each September 30th from 2021 through 2026. We assumed that all employee hourly wages below the minimum wage would increase to the applicable minimum wage for the given year for employees paid below the new minimum wage and calculated the change in weighted average hourly wages across all hourly wage percentiles and SOC codes.

² Hospitals are classified as code 622000 and offices of physicians are classified as code 621100 in the North American Industry Classification System (NAICS).

This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

Portion of Total Hospital and Physician Practice Costs Associated with Direct Employee Wages

The Centers for Medicare and Medicaid Services (CMS) has developed certain market baskets to measure changes in hospital and physician practice costs. These market baskets categorize hospital and physician practice costs by individual cost categories. Each cost category is assigned a cost weight, which represents the portion of total hospital and physician practice costs that are estimated to be associated with the given category.

The 2018-based inpatient prospective payment system (IPPS) market basket is currently used by CMS to determine updates in Medicare reimbursement for inpatient prospective payment system (PPS) operating, outpatient PPS, hospice PPS, and ambulatory surgical center PPS payments. The 2018-based IPPS market basket was developed using Medicare cost report and other supplementary survey data. Based on the 2018-based IPPS market basket, we estimate that approximately 41.2 percent of total operating hospital costs are associated with direct employee wages.

The Medicare Economic Index (MEI) is a measure of physician practice cost inflation, and until 2015 was used by CMS to determine annual updates to the Medicare Physician Fee Schedule (MPFS). The MEI is calculated as the weighted average price change for cost inputs required to operate a physician practice, with the weights being primarily based on expense data collected in the Physician Practice Information Survey (PPIS), which was conducted by the American Medical Association (AMA) in 2007 and 2008. Based on the 2006 revised MEI, we estimate that approximately 55.5 percent of total physician practice costs are associated with direct employee wages.

Estimates of Hospital and Physician Practice Total Cost Impact

We estimated total hospital and physician practice cost impacts by applying the estimated change in direct employee wages to the portion of hospital and physician practice costs that are associated with direct employee wages. The results of this analysis are summarized in Tables 3 and 4 below.

Table 3 Hospital Operating Cost Minimum Wage Impacts						
Period	Minimum Wage	Average Hourly Wage	Wage Impact		Total Cost Impact	
			Dollars (\$M)	%	Wage Share	Total Impact
Baseline	\$8.65	\$28.06				
RY 21/22	\$10.00	\$28.06	\$0.00	0.02%	41.2%	0.01%
RY 22/23	\$11.00	\$28.09	\$0.03	0.09%	41.2%	0.04%
RY 23/24	\$12.00	\$28.13	\$0.07	0.25%	41.2%	0.10%
RY 24/25	\$13.00	\$28.21	\$0.15	0.53%	41.2%	0.22%
RY 25/26	\$14.00	\$28.33	\$0.27	0.95%	41.2%	0.39%
RY 26/27	\$15.00	\$28.49	\$0.43	1.52%	41.2%	0.63%

Table 4 Physician Practice Costs Minimum Wage Impacts						
Period	Minimum Wage	Average Hourly Wage	Wage Impact		Total Cost Impact	
			Dollars (\$M)	%	Wage Share	Total Impact
Baseline	\$8.65	\$28.05				
RY 21/22	\$10.00	\$28.06	\$0.01	0.02%	55.5%	0.01%
RY 22/23	\$11.00	\$28.07	\$0.02	0.08%	55.5%	0.04%
RY 23/24	\$12.00	\$28.11	\$0.06	0.20%	55.5%	0.11%
RY 24/25	\$13.00	\$28.18	\$0.12	0.44%	55.5%	0.25%
RY 25/26	\$14.00	\$28.30	\$0.25	0.89%	55.5%	0.49%
RY 26/27	\$15.00	\$28.48	\$0.43	1.54%	55.5%	0.86%

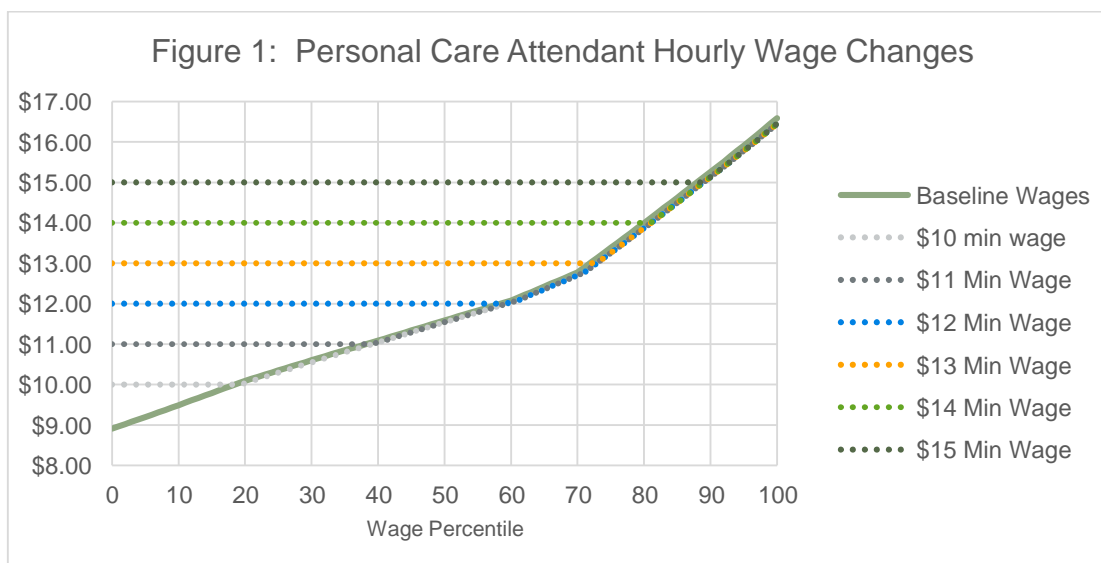
This material assumes that the reader is familiar with the State of Florida's Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

HCBS SERVICES

A material proportion of HCBS services covered under the LTC program are provided by individuals impacted by the minimum wage increase. In order to estimate the impact of the minimum wage changes on HCBS service costs, we performed a review of Florida average hourly salary information for the occupational category “Home Health and Personal Care Aides” compiled by the BLS as of May 2020. The Florida Department of Economic Opportunity (DEO) supplemented this data by providing the hourly wage data for each 10th percentile, as shown in Table 5.

Table 5 Florida Hourly Wages by Occupational Category BLS Data as of May 2020					
Occupational Category	p10	p20	p30	p40	p50
Home Health and Personal Care Aides	\$9.49	\$10.09	\$10.60	\$11.09	\$11.59
	p60	p70	p80	p90	
	\$12.08	\$12.77	\$13.99	\$15.26	

We linearly interpolated and extrapolated from the decile percentile wages to establish a baseline to estimate the impact of the minimum wage increases in effect each September 30th from 2021 through 2026. We assumed that all providers’ hourly rates would increase to the applicable minimum wage for the given year for providers paid below the new minimum wage, as illustrated in Figure 1.



Provider wages are only one component of the overall cost of providing HCBS to beneficiaries. We estimate that approximately 50% of the cost of providing services is for non-wage expenses, including non-direct care service expense and overhead costs, mandatory Florida and Federal benefits (unemployment insurance and Social Security), as well as any employer costs associated with health insurance. Table 5 below shows the cumulative and incremental impact of the change in the minimum wage for rate each year.

This material assumes that the reader is familiar with the State of Florida’s Medicaid program, Florida Medicaid benefits, and eligible populations. The material was prepared solely to provide assistance to the Agency in estimating the expenditure impact as a result of minimum wage increases laid out in Florida statute. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

Table 5
Estimated Rate Year (RY) Minimum Wage Impact
HCBS Services

	Minimum Wage	Impact on hourly wages			Dampened for non-direct care expenses	
		Average Hourly Wage	Incremental Change	Total Change	Incremental Change	Total Change
May 2020	\$8.56	\$12.01				
RY 21/22	\$10.00	\$12.10	0.8%	0.8%	0.4%	0.4%
RY 22/23	\$11.00	\$12.38	2.3%	3.1%	1.1%	1.6%
RY 23/24	\$12.00	\$12.86	3.9%	7.1%	1.9%	3.5%
RY 24/25	\$13.00	\$13.51	5.1%	12.5%	2.5%	6.3%
RY 25/26	\$14.00	\$14.27	5.6%	18.8%	2.8%	9.4%
RY 26/27	\$15.00	\$15.10	5.9%	25.8%	2.9%	12.9%

NURSING FACILITY SERVICES

In order to estimate the impact of the minimum wage changes on nursing facility services, we performed a review of Florida average hourly salary information for the following occupational categories compiled by the Bureau of Labor Statistics as of May 2020.

- Registered Nurses
- Licensed Practical and Licensed Vocational Nurses
- Nursing Assistants

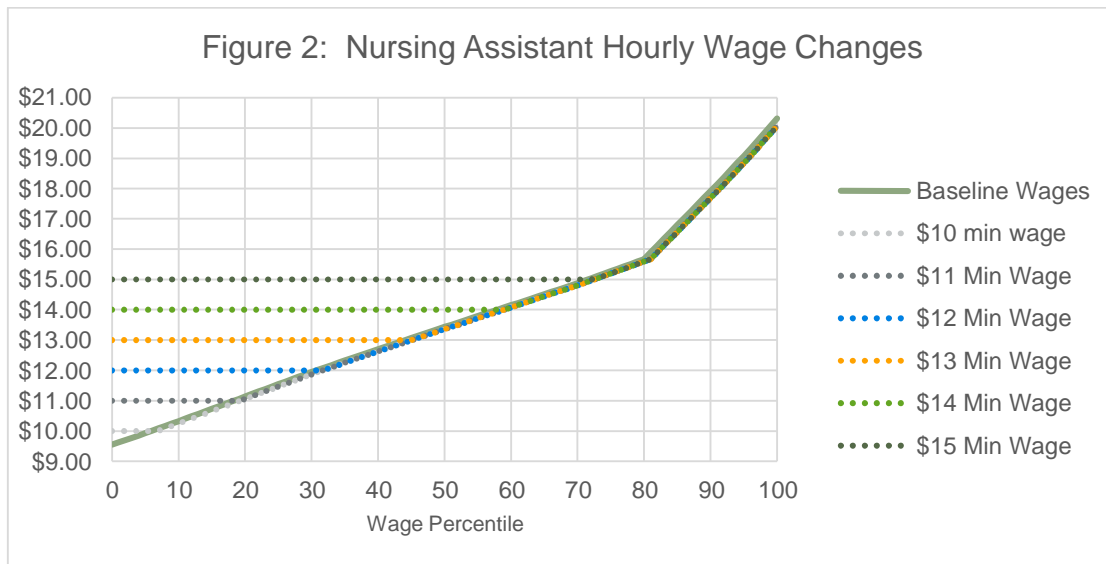
The Florida DEO supplemented this data by providing the hourly wage data for each 10th percentile, as shown in Table 6.

Table 6
Florida Hourly Wages by Occupational Category
BLS Data as of May 2020

Occupational Code	29-1141	29-2061	31-1131
Percentile	Registered Nurses	Licensed Practical and Licensed Vocational Nurses	Nursing Assistants
p10	\$24.29	\$16.89	\$10.33
p20	\$26.72	\$18.94	\$11.14
p30	\$28.50	\$20.23	\$11.95
p40	\$30.29	\$21.21	\$12.70
p50	\$32.15	\$22.19	\$13.43
p60	\$34.37	\$23.16	\$14.15
p70	\$36.71	\$24.15	\$14.88
p80	\$39.07	\$25.36	\$15.67
p90	\$44.09	\$28.91	\$17.91

We linearly interpolated and extrapolated from the decile percentile wages to establish a baseline to estimate the impact of the minimum wage increases in effect each September 30th from 2021 through 2026. The hourly wages for the first percentile (after extrapolating from the tenth percentile) were not below \$15.00 for either the registered nurses (RNs) or licensed practical or vocational nurses (LPNs), so we did not assume any change for those provider types. We assumed that all providers' hourly rates would increase to the applicable minimum wage for the given year for nursing assistants paid below the new minimum wage, as illustrated in Figure 2.

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Similar to HCBS, direct care provider wages are only one component of the overall cost of providing nursing facility services to beneficiaries. Based on the nursing facility cost reports³ we estimate that approximately 23% of the cost providing services is for indirect expenses, such as administrative salaries, building costs, and supplies. Table 7 below shows the cumulative and incremental impact of the change in the minimum wage each rate year on the blended average hourly wage across nursing assistants, LPNs, and RNs. We examined summarized nursing facility cost reports⁴ to determine what percentage of direct care expenses are attributable to nursing assistants (51%), LPNs (27%), and RNs (22%) to aggregate the overall average hourly wages for direct care provided in nursing homes.

**Table 7
Estimated Rate Year (RY) Minimum Wage Impact
Nursing Facility Services**

	Minimum Wage	Impact on direct care hourly wages			Dampened for indirect expenses	
		Average Hourly Wage	Incremental Change	Total Change	Incremental Change	Total Change
May-20	\$8.56	\$20.45				
RY 21/22	\$10.00	\$20.46	0.0%	0.0%	0.0%	0.0%
RY 22/23	\$11.00	\$20.52	0.3%	0.3%	0.2%	0.2%
RY 23/24	\$12.00	\$20.64	0.6%	0.9%	0.5%	0.7%
RY 24/25	\$13.00	\$20.83	0.9%	1.8%	0.7%	1.4%
RY 25/26	\$14.00	\$21.08	1.2%	3.1%	0.9%	2.4%
RY 26/27	\$15.00	\$21.41	1.6%	4.7%	1.2%	3.6%

^{3,4} http://ahca.myflorida.com/Medicaid/cost_reim/pdf/2020_Direct_Indirect_Care_Cost_Report.pdf

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III. EXPENDITURE ESTIMATES

After estimating the percentage impact of the minimum wage changes on each of the four broad categories of service we applied the incremental annual percentage changes to the Long-Term Medicaid Services and Expenditures Forecast provided to the Florida Social Services Estimating Conference (SSEC) on August 6, 2021.⁵

We assigned each of the line items in the SSEC forecast to one of the four broad categories of service from the prior section. In addition, there are expenditure types in the SSEC forecast that we did not assume any increase due to changes in the minimum wage, such as pharmacy services or expenditures that are funded through legislated appropriated amounts. Lastly, the expenditures for the Long-Term Care (LTC), Managed Medical Assistance (MMA), and CMS Network (CMSN) prepaid health plans are a combination of different services types, and therefore are a blend of the different service categories, as described later in this section.

Appendix A provides a mapping of SSEC line items to the category of service minimum wage adjustment applied. In addition, in the summaries of results we refer to expenditure lines either as fee-for-service (FFS) or pre-paid plans. FFS refers to all payments that are not for a prepaid health plan. This denotation is also included in Appendix A for each expenditure line.

The expenditure estimates assume that fee schedules for various services will be updated to reflect the impact minimum wage increases according to the state's usual schedule for updating fee schedules, as outlined in Table 8.

Table 8 Fee Schedule Updates	
Broad Category of Service	Fee Schedule Effective Date
Inpatient and Outpatient Hospital	Jul-22
Physician	Jan-23
Home and Community Based Services	Jul-22
Nursing Facility	Oct-22
MMA Program	Oct-22
LTC Program	Oct-21

LTC Prepaid Health Plan Expenditures

The LTC program is a full-risk, Medicaid managed care program that covers long-term care supports and services, including nursing facility, hospice, assisted living, and other home and community-based services. Using the mix of services projected in RY 21/22 LTC rates, we applied the HCBS and NF minimum wage impacts to the categories of service in the LTC rates in Table 9 to calculate the overall impact on the LTC program.

Table 9 Minimum Wage Adjustments Applied by LTC Category of Service		
HCBS Adjustment	NF Adjustment	No Adjustment
Assisted Living	Nursing Facility	Medical Equipment / Supplies
Home Health	Hospice Facility	Therapy Services
Home and Community Based Services	Risk Margin	Transportation Services
Subcapitated LTC Services		Case Management
Risk Margin		LTC Services Settlements
		TPL and Fraud / Abuse Recoveries
		Incentive Payments
		Administrative Costs

⁵ <http://edr.state.fl.us/content/conferences/medicaid/medltexp.pdf>

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Table 10 shows the overall LTC program expenditure change as a result of the minimum wage changes, shown both in aggregate for each year and the incremental impact. For RY 21/22 we limited the impact to be equal to the amount included in the capitation rates, which are already set and being paid to the capitated plans in the LTC program.

Table 10		
Estimated Rate Year (RY) Minimum Wage Impact LTC Program Expenditures		
	Cumulative Change	Incremental Change
RY 21/22	0.2%	0.2%
RY 22/23	0.6%	0.4%
RY 23/24	1.4%	0.8%
RY 24/25	2.5%	1.1%
RY 25/26	4.0%	1.4%
RY 26/27	5.6%	1.6%

MMA and CMS Plan Prepaid Health Plan Expenditures

The MMA program (including the CMS Plan) is a full-risk, Medicaid managed care program that covers acute care services.

To estimate expenditure increases for Managed Medical Assistance (MMA) and CMS Plan prepaid health plans, we applied the estimated total provider cost impacts calculated for hospital, professional, and nursing facility providers to an estimated baseline expenditure amount by service category, for each fiscal year. The baseline expenditure amounts by service category for each fiscal year were calculated by Milliman by applying enrollment and utilization trend assumptions to MMA and CMS Plan prepaid health plan RY 21/22 PMPMs by rate group, region, and rate cell. The annual utilization trends used for each rate year are consistent with the trends used to project costs from our base period to RY 21/22.

Enrollment trend assumptions are based on the case load projections provided by the Agency.

The provider cost impacts assigned to each service category are summarized in Table 11, below.

Table 11			
Minimum Wage Adjustments Applied by MMA and CMSN Category of Service			
Hospital Adjustment	Professional Services Adjustment	Nursing Facility Adjustment	No Adjustment
Ambulatory Surgery Center Crossover	Professional Injectable Drugs	Nursing Facility Private Duty Nursing	Pharmacy - Brand
Inpatient - General	Professional Maternity		Pharmacy - Generic
Inpatient - Maternity	Professional Non-Maternity		Pharmacy - Other / Not Identified
Inpatient – Mental Health / Substance Abuse (MH/SA)	Other		Pharmacy - Specialty
Inpatient - Newborn			
Inpatient - Per Diem Psych			
Non-Inpatient MH/SA			
Outpatient Non-ASC - EAPG			
Outpatient Non-ASC - Non-EAPG			

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EXHIBIT 1

State Fiscal Year Expenditure Estimates

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State of Florida Agency for Health Care Administration
Estimated Fiscal Impact of Florida Minimum Wage Increases

November 17, 2021

EXHIBIT 2

Rate Year Expenditure Estimates

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APPENDIX A

SSEC Expenditure Line Mapping

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