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### In This Issue

[SPECIAL SESSION  
CAPITOL UPDATE](#)

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## SPECIAL SESSION CAPITOL UPDATE

FAFP was busy at the Capitol as The Florida Legislature capped a 10-day Special Session to patch a \$2.3 billion-and-growing deficit in the \$60 billion current fiscal year budget--cutting money from schools and hospitals and digging deeply into state trust funds.

The package includes more than \$900 million in cuts to classrooms, social services and other programs, and also relies on borrowing \$700 million from the Lawton Chiles endowment fund, taking another \$400 million from the state's "rainy day" fund, and \$190 million from affordable housing projects around the state. To protect court funding, state is hiking penalties for speeders and traffic violators. Anyone caught going 15-29 mph over the limit will now pay \$35 more - up to \$258.

Health and human services, the second largest large portion of the general revenue budget, received a \$137 million cut. This cut amounts to an annualized recurring reduction for next year of nearly \$200 million. Health care related trust fund sweeps included more than \$55 million in surplus dollars that was not appropriated for this fiscal year. The largest sweep was in the Department of Health's Medical Quality Assurance Trust Fund (\$35 million) but the overall account is still projected to have a balance of \$15 million.

Among the list of significant reductions include hospital inpatient and outpatient rates being reduced by an additional four percent for the current year. These rate reductions will be effective March 1, 2009. Teaching hospitals, children's hospitals and other large Medicaid providers were allowed to access local tax money to supplement the loss of state tax money. Therefore, the overall hospital rate cut may not be as large depending on their ability to access those local tax dollars through pre-existing agreements. Additional reductions to note are comprised of a three percent reduction in Medicaid HMOs, a five percent reduction to County Health Departments, and a two percent reduction to Prepaid Mental Health Plans. Pharmacies face a three percent dispensing fee reduction by reducing retail pharmacy dispensing fees from \$4.23 to \$3.73 per prescription. The more substantial reduction in this area will be the increased use by Agency for Health Care Administration (AHCA) of additional prior authorization of drug therapies and utilization controls in the Medicaid prescription drug budget. These new controls will be effective March 1, 2009 and are expected to include increased prior authorization of certain medications, particularly in the antipsychotic area. These controls are projected to reduce Medicaid prescription drug

costs by \$17 million this year and more than \$32 million for 2009-2010.

During the budget conference process, Senate Health and Human Services Committee Chairman and FAFP member Durell Peaden (R-Crestview) raised an idea of implementing a three brand limit for Medicaid prescription drugs. Members of our firm met with legislative committee members to ensure they fully understood the impact of such a proposal on the access of medicines. Fortunately, no brand limits were included during the final budget negotiations. At the end of the budget negotiations, Chairman Peaden stressed he intends to further explore the issue again during the Regular Legislative Session and directed AHCA to research this proposal.

On a parallel track, the Legislature must begin work on the 2009/10 Fiscal year budget that will go into effect on July 1st. State economists predict additional shrinking revenues to the tune of \$5 billion. According to the House and Senate leadership, all options are on the table as they work on next year's budget, including elimination of certain tax exemptions, cigarette and alcohol taxes, better tax collection methods and, of course, more cuts. Governor Crist asked legislative leaders for more time to submit his own budget recommendations for the 2009/10 fiscal year in order to have a better revenue picture and to see how much in federal "economic stimulus" dollars might be available. All eyes are on Washington for help during these difficult economic times and the timing of Congressional action is key to how Florida will build its budget for next year.

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