

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Health Care Committee

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BILL: CS/SB 1994

SPONSOR: Health Care Committee and Senator Garcia

SUBJECT: Visual Services for Adult Medicaid Recipients

DATE: April 7, 2005

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HE	Fav/CS
2.			HA	
3.			WM	
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5.				
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## I. Summary:

This bill expands the optional services in Medicaid to cover visual services for all Medicaid recipients, regardless of age. The bill also requires hospitals that are licensed in the state and are owned in whole or in part by a municipality or county to establish certain bidding procedures. The bidding procedures for purchasing or contracting for medical supplies must ascertain for each vendor the number of full-time employees the vendor has in this state, and then to give preference in bidding contracts, when cost, quality, and service are not significantly different, to vendors with the largest number of employees in the state.

This bill amends ss. 409.906 and 409.907, Florida Statutes.

## II. Present Situation:

### Adult Visual Impairment

In Florida, approximately 262,000 persons over the age of 40 have some form of visual impairment. Visual impairment is defined as having 20/40 or worse vision in the better eye even with eyeglasses. Visual impairment is an important cause of activity limitation and disability among the elderly. Approximately 1.8 million noninstitutionalized elderly in the United States report some difficulty with basic activities such as bathing, dressing, and walking around the house, in part because they are visually impaired. Visual impairment increases the risk of falls and fractures, making it more likely that an older person will be admitted to a hospital or nursing home, be disabled, or die prematurely.

There are many forms of visual impairment. The most common forms include the following:

- **Hyperopia:** A defect that is often responsible for eyestrain is hyperopia, or farsightedness. In this condition the light rays are not bent sharply enough to focus on the retina, with the result that the eye cannot focus properly on nearby objects. The eyeball may be too short, so that the actual focal point is behind the retina. This is normal in the infant, but usually corrects itself by the time the child uses his eyes more for near vision. To a certain extent, it is possible to use the muscle in the process of thickening the lens to focus objects on the too-near retina; however, this causes constant strain. Visual tests may not show that the condition exists unless drops which paralyze the muscles that flex the lens are used. Hence, any suggestion of eyestrain should lead to consulting a specialist who has a license to practice medicine and who will use the drops as necessary.
- **Myopia:** Also known as, nearsightedness, the visual impairment is another defect of development. In this case, the eyeball is too long, or the bending of the light rays is too sharp, so that the focal point is in front of the retina. Objects that are a distance away appear blurred, and may appear clear only if brought very near the eye. Only by the use of lenses that will throw the point of focus back can this disorder be corrected. In some people, this nearsightedness becomes worse each year.
- **Astigmatism:** This condition is due to irregularity in the curvature of the cornea or the lens. The surfaces do not bend the light rays the same amount, resulting in blurred vision with severe eyestrain. Astigmatism often is found in combination with hyperopia or myopia, so a careful eye examination and properly fitted glasses will reduce or prevent eyestrain.
- **Cataract:** Cataracts are one of the most common causes of blindness. A cataract involves the lens and causes it to lose its transparency. Sometimes the areas of opacity can be seen through a pupil, which becomes greatly enlarged because of reduction in the amount of light that can reach the retina. In other cases, there is gradual loss of vision, and frequent changes in glasses may aid in maintaining useful vision for some time. Removal of the lens may restore some vision, but the addition of a contact lens or bifocals usually are required to achieve satisfactory visual acuity. Most persons treated for cataracts will need reading glasses for close work.
- **Glaucoma:** Glaucoma is another cause for blindness, particularly in older persons. The condition is characterized by excess pressure of the eye fluid. Aqueous humor (the fluid within the eyeball) is being produced constantly from the blood; and after circulation, it is reabsorbed into the blood stream. Interference with the normal reentry of this fluid to the blood stream leads to an increase in pressure inside the eyeball. As in the case of cataracts, glaucoma usually progresses rather slowly with vague visual disturbances and gradual impairment of vision. Halos around lights, headaches and the need for frequent changes of glasses (particularly by people over 40) are symptoms that should be investigated by an ophthalmologist. There are different forms of glaucoma, some occurring in the very young; and each type requires a different management technique. Since continued high pressure of the aqueous humor may cause destruction of the optic nerve fibers, it is important to obtain continuous treatment beginning early in the disease to avoid blindness.

## **The Medicaid Program**

The Medicaid program is jointly funded by the federal, state, and county governments to provide medical care to eligible individuals. Medicaid is the largest program providing medical and health-related services to the nation's poorest citizens. Within broad national guidelines, which the federal government establishes, each of the states:

- Establishes its own eligibility standards;
- Determines the type, amount, duration, and scope of services;
- Sets the rate of payment for services; and
- Administers its own program.

The Agency for Health Care Administration (AHCA) is the single state agency responsible for the Florida Medicaid Program. The statutory provisions for the Medicaid program appear in ss. 409.901 through 409.9205, F.S.

Some services, such as nursing home care and home health care, are mandatory services that must be covered in any state that participates in the Medicaid program. Other services, such as visual services, are optional. A state may choose to include optional services in its state Medicaid plan, but such services must be offered to all individuals statewide who meet Medicaid eligibility criteria. Individuals who are elderly or disabled, whose incomes are at or below 88 percent of the Federal Poverty Level are an optional coverage group eligible for Medicaid under s. 409.904(1), F.S. Payments for services to individuals in the optional categories are subject to the availability of monies and any limitations established by the General Appropriations Act or ch. 216, F.S.

## **Optional Medicaid Visual Services**

Florida Medicaid currently reimburses for visual services rendered by licensed, Medicaid-participating ophthalmologists, optometrists and opticians. Medicaid reimbursable services include eyeglasses, eyeglass repairs as required, prosthetic eyes, and contact lenses. Providers may use the Central Optical Laboratory, which is managed by Prison Rehabilitative Industries and Diversified Enterprises (PRIDE), for services for Medicaid recipients.

Medicaid reimbursement for visual services has the following limitations:

- Eyeglasses and eyeglass repairs are limited to recipients younger than 21 years of age;
- Services limited to the provision or replacement of medically necessary eyeglasses;
- Services limited to no more than two pairs of eyeglasses per recipient, per 365 days; and
- Services for recipients age 21 and above are limited to prosthetic eyes and contact lenses.

All special eyeglasses and contact lenses must be prior authorized and providers may request authorization for reimbursement for services in excess of the service limitations. Medicaid reimbursement for visual services is the maximum Medicaid fee or the provider's customary fee, whichever is lower.

Optional visual Medicaid services were limited to persons under age 21 in the 2003 Special Legislative Session (2003-405, L.O.F.).

## **Public Hospitals and the Purchase of Medical Supplies**

AHCA licenses hospitals under ch. 395, F.S. Many hospitals licensed under this chapter are owned in whole or in part by local governments (cities and counties), including the state's largest public hospital in Miami.

Hospital services in Medicaid account for \$2 billion in expenditures in fiscal year 2004-05. Next to labor costs, medical supplies constitute the second largest category of expenditures for most hospitals. Hospitals purchase or contract for a large array of medical supplies ranging from bandages and cotton swabs to pharmaceuticals and diagnostic equipment. In 2002, the expense for medical supplies ranged from between 23 to 28 percent of total hospital costs, depending on the acuity of care delivered. This is an increase from 7 to 9 percent for supply costs in the early 1970s. Most of the increase in supply costs is associated with the rapid growth in technology and the rising cost of pharmaceuticals.

A 2003 study reported in American Medical News<sup>1</sup> identified medical supplies as a category in which costs could be dramatically reduced by applying different principles of purchasing. Just as warehouse clubs are able to offer lower prices by buying in bulk, a hospital limiting the number of manufacturers it deals with can negotiate lower costs by purchasing greater volumes of equipment, the study said. This basic purchasing model produced the greatest savings in the operating room and among orthopedic surgeons and cardiologists, two of the busiest and more expensive specialties.

The idea is contrary to the traditional medical supply method in hospitals, in which hospital administrators generally order according to what the admitting physician requests. Meanwhile, the hospital is reimbursed at a set rate for a certain procedure, which means it may lose money from year to year, even on common procedures, according to the study.

The study also suggests that hospitals need to be more involved in negotiations with manufacturers, because physicians are constantly bombarded with marketing attempts and do not usually consider cost factors when choosing a device. Strong relationships with company representatives, especially if those people are helpful in the operating room, also can influence a doctor's opinion of the equipment, the study says.

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 409.906, F.S., to expand optional Medicaid visual services (visual examinations, eyeglasses, and eyeglass repairs) to all Medicaid recipients, regardless of age.

**Section 2.** Amends s. 409.907, F.S., to require hospitals owned in whole or in part by a municipality or county in the state to establish certain bidding procedures for purchasing or contracting for medical supplies. The bidding procedures must ascertain for each vendor the number of full-time employees the company employs in the state and requires the hospital to

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<sup>1</sup> <http://www.ama-assn.org/amednews/2003/02/10/bisd0210.htm>

give preference in its bidding procedures, when cost, quality, and service are not significantly different, to vendors with the largest number of employees in this state.

**Section 3.** Provides an effective date of July 1, 2005.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

**Agency for Health Care Administration**

Fiscal impact estimates for restoring adult visual services were produced for the March 7, 2005 Impact Conference using the Medicaid Estimating Model. The estimated fiscal impact on the Medicaid Program using this model was \$6,028,225 in FY 05-06 (\$2,399,934 in General Revenue and \$3,437,897 in Medical Care Trust funds). Increasing that amount by 5 percent for FY 06-07, the estimate for that year is projected to be \$6,329,636 (\$2,519,931 in General Revenue and \$3,609,792 in Medical Care Trust funds).

Estimates for funding from the Refugee Assistance Trust Fund are \$190,394 and \$199,914 for the respective years. Possible future changes in service fees and utilization are indeterminate. Medicaid has provided vision services to children under the age of 21 and has covered only medically necessary services for recipients 21 and over, which are

currently paid out of Physician Services; therefore, the offset of \$3,975,961 is the reduction for the amount of services already provided.

No fiscal analysis has been provided for the contract bidding requirements for public hospitals at this time.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The bill specifies that a hospital licensed under ch. 395, F.S., whose facilities are owned in whole or in part by a municipality or county, must establish the specific bidding procedures outlined in Section 2 of this bill. This language is broad and would likely apply to most rural hospitals in the state where the local government owns and leases the building to another entity to provide services. AHCA could not provide an estimate of how many hospitals would be affected because the agency collects data on the entity licensed to provide the hospital services, rather than who owns the facility.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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## **VIII. Summary of Amendments:**

None.

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