

April 11, 2014

Justin Senior  
State of Florida, Agency for Health Care Administration  
2727 Mahan Drive, Mail Stop 8  
Tallahassee, FL 32308

Dear Justin:

I am writing to memorialize the work we have accomplished together to date on Florida's request to renew its section 1115 demonstration, titled, Managed Medical Assistance, demonstration number 11-W-00206/4. We have made significant progress toward the goal of finalizing the terms of the demonstration renewal. We are eager to continue working together to grant the renewal based on the following agreements described below:

- A three-year extension of the demonstration through June 30, 2017, except for the Low Income Pool (LIP), which will be extended only for one year from July 1, 2014 through June 30, 2015.
- During the one-year extension for the LIP, expenditures would be authorized to provide stability for providers for a limited time during Florida's transition to statewide Medicaid managed care and a significantly reformed Medicaid payment system. The LIP would be funded only through existing state and local funding arrangements. Federal LIP funding for the year is still under review, but would not exceed \$2.16 billion (total computable), or the level of previous LIP funding (in the prior year) increased by the amount of federal funding previously provided for certain supplemental payments, to the extent that those payments are discontinued by the state. Final LIP funding amounts and provider participation requirements will be specified in the terms and conditions of the demonstration approval documents.
- During this one year extension of the LIP, Florida will review Medicaid provider payments and funding mechanisms, with the goal of developing sustainable, transparent, equitable, appropriate, accountable, and actuarially sound Medicaid payment systems and funding mechanisms that will ensure quality health care services to Florida's Medicaid beneficiaries throughout the state without the need for LIP funding.
- Expenditures authorized under the LIP would be limited to uncompensated care costs of providers, the independent report discussed below, and other categories of expenditure as specified in the demonstration's current special terms and conditions. Uncompensated care costs will be verified through provider cost reports. Allowable LIP expenditures will be offset by the amount of payments that were made to providers in prior demonstration years in excess of allowable costs identified on provider cost reports.

- During the one-year LIP extension, the state will use a portion of the LIP funds to commission a report from an independent entity on Medicaid provider payment in the state that reviews the adequacy of payment levels, and the adequacy, equity, accountability and sustainability of the State's funding mechanisms for these payments. The report must recommend reforms to the Florida Medicaid financing system that can allow the state, beginning in state fiscal year 2015, to move toward Medicaid fee-for-service and managed care payments that ensure access for Medicaid beneficiaries to providers without payments through the LIP. A final report will be due no later than March 1, 2015.

We look forward to working with you further on these topics as part of our effort to reach a final agreement on the demonstration. Please feel free to call me if you have concerns or questions as we continue our discussions.

Sincerely,

/s/

Cindy Mann  
Director

cc: Jackie Glaze, Associate Regional Administrator, Region IV