DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Justin Senior
Deputy Secretary for Medicaid
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Dear Deputy Secretary Senior:

I am writing to follow up with you on the discussions underway about the status of Florida's Low Income Pool (LIP). The LIP was implemented in 2006 as a time-limited demonstration to support Florida safety net providers that provide uncompensated care to some of the state's most vulnerable residents. As you know, over time CMS has had a number of concerns about the LIP, including its lack of transparency, encouragement toward overreliance on supplemental payments, and distribution of funds based on providers' access to local revenue instead of service to Medicaid patients. Last year, CMS made clear that LIP would not continue in its current form. We extended the Florida Managed Medical Assistance Program demonstration through June 30, 2017, and granted a limited one-year extension of the LIP which otherwise would have expired in 2014. There was also a specific requirement that Florida commission an independent review and analyze and develop a plan to reform Medicaid provider payments and funding mechanisms to ensure quality health care services to Florida's Medicaid beneficiaries throughout the state without the need for LIP funding. We established the goal of the state implementing reformed payment and funding mechanisms in state fiscal year 2015-2016.

When the Affordable Care Act (ACA) was enacted, it established a more comprehensive approach to providing health care coverage, including Medicaid, while supporting hospitals that serve communities with the greatest needs. Medicaid expansion would reduce uncompensated care in the state, and therefore have an impact on the LIP, which is why the state's expansion status is an important consideration in our approach regarding extending the LIP beyond June. We believe that the future of the LIP, sufficient provider rates, and Medicaid expansion are linked in considering a solution for Florida's low income citizens, safety net providers, and taxpayers.

We are encouraged by the State Senate's interest in expanding Medicaid to low-income adults in the state, to cover between 870,000 and 1 million vulnerable Floridians, according to the independent report that the state commissioned from Navigant Health Care. CMS will monitor the progress of this legislation closely and, if enacted, looks forward to working with the state on the substance of the state's expansion approach. With Medicaid expansion, individuals with coverage would be less likely to seek bankruptcy protection or generate unpaid medical bills. In addition, expanding Medicaid would reduce the burden of uncompensated hospital care and provide new revenues to Florida's safety net providers. A new independent analysis of eight expansion states finds that savings and revenues by the end of 2015 across those states are expected to exceed $1.8 billion. State specific studies estimate that, in the first three years of expansion, Florida could realize an $8.9 billion increase in economic activity stemming from Medicaid expansion. Florida could also expect

to reap employment gains; the Kaiser Family Foundation projects that the state could gain 71,000 jobs in the first three years following Medicaid expansion. Additionally, the ACA provides that the federal government will pay 100 percent of the costs for newly-eligible adult beneficiaries through 2016. While the federal contribution gradually declines beginning in 2017, the law requires that federal funding for this group will never be less than 90 percent of the cost of care. This guarantee of federal support for paying for the expansion population can only be modified by legislation passed by Congress and signed into law by the President.

We will approach review of a LIP proposal from Florida based on several key principles. First, coverage rather than uncompensated care pools is the best way to secure affordable access to health care for low-income individuals, and uncompensated care pool funding should not pay for costs that would be covered in a Medicaid expansion. Second, Medicaid payments should support services provided to Medicaid beneficiaries and low-income uninsured individuals. Finally, provider payment rates must be sufficient to promote provider participation and access, and should support plans in managing and coordinating care. We also note that transition periods can ease the process of reducing the LIP as the state makes the transition to broader Medicaid coverage for its residents at sustainable rates, and that disproportionate share hospital payments will remain available to support uncompensated care.

I look forward to continuing our discussions on how best to support the health needs of low-income Floridians and Florida's health care system, while at the same time spending federal tax dollars most wisely and meeting the objectives of the Medicaid program and the Affordable Care Act. I am available at your earliest convenience to discuss next steps.

Sincerely,

[redacted]

Vikki Wachino
Acting Director