
June 23, 2015

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

Dear Mr. Senior:

I am writing to memorialize our discussions to date on Florida's request to extend the authorities for the Low Income Pool (LIP) component of the state's Managed Medical Assistance section 1115 demonstration (11-W-00206/4). As a result of these discussions, we have agreed in principle to an approach to the duration (two years) and size of the LIP as well as the methods for distributing LIP funding that are consistent with the principles articulated in our April 14, 2015, and May 21, 2015, letters. These principles specifically establish that 1) uncompensated care pool funding should not pay for costs that would be covered in a Medicaid expansion, 2) Medicaid payments should support services provided to Medicaid beneficiaries and low-income uninsured individuals, and 3) provider payment should promote provider participation and access, and should support plans in managing and coordinating care.

Specifically, CMS and Florida have agreed in principle on the terms below:

- The LIP will be authorized for Demonstration Year 10 (DY 10, July 1, 2015, through June 30, 2016), subject to a total spending limit of \$1 billion for the combined federal and state shares of expenditures. This funding will be distributed as described in the Florida House Health Care Appropriations and Florida Senate Health and Human Services Appropriations conference document (dated Monday, June 16, 2015).¹ This funding level and distribution methodology are consistent with our May 21, 2015, letter, which said we were preliminarily prepared to authorize a \$1 billion (federal and state) LIP for Demonstration Year 10 and that the state could, as a transitional measure, use distribution methodologies similar to current methodologies to support our shared goal of maintaining stability of providers during this transition. The distribution methodology for Year 10 is largely similar to the method formally proposed by the state on May 26, 2015 but with a total pool size of \$1 billion.
- The LIP will also be authorized in DY 11 (July 1, 2016 through June 30, 2017), the final year of the current demonstration. Total LIP funding in DY 11 shall be subject to a total

¹ Available at

http://flsenate.gov/PublishedContent/Session/2015A/Appropriations/Documents/Medicaid_Conference_Report.pdf

spending limit of \$608 million for the combined federal and state shares of expenditures. For DY 11, LIP funding will not be distributed in the same manner as in DY 10, but will instead be distributed based on the volume of provider uncompensated care and the principles set out in CMS's May 21, 2015 letter, in accordance with a CMS-approved 2016 LIP Reimbursement and Funding Methodology Document (RFMD). Prior to October 31, 2015, Florida will submit a 2016 LIP RFMD to CMS for approval, and CMS will work with Florida towards approval by December 31, 2015. Florida may not claim federal financial participation for LIP payments in DY 11 until after a revised RFMD is approved by CMS.

In our May 21 letter we noted that Florida has options under state plan authority to increase payment rates and obtain additional federal matching dollars, which could increase access to care and promote provider participation. We understand that the state budget, passed by the Legislature on June 19, includes a plan to increase hospital payment rates by approximately \$200 million (federal and state) which would be effectuated through a state plan amendment outside of the 1115 demonstration. It is our further understanding that the Appropriations Committee conference document referenced above provides approximately \$400 million in general revenue for the state share of this rate increase (and to support other customary adjustments to hospital payment rates), and that the increased rates are expected to affect both fee for service and managed care payments.

Subject to comments CMS receives during the federal comment period (which will conclude on June 27, 2015), CMS looks forward to drafting special terms and conditions that reflect the elements described above and to reaching final agreement. We believe a temporary extension of the LIP to allow time to finalize the special terms and conditions may be necessary, and you may request such an extension. Any amounts made available to Florida under a temporary extension of the previous LIP demonstration after July 1, 2015, will be deducted from the \$1 billion spending limit for Demonstration Year 10.

We look forward to working with you further on these topics as part of our effort to reach a final agreement on the demonstration amendment to extend LIP.

Sincerely,

/s/

Vikki Wachino
Director

cc: Jackie Glaze, Associate Regional Administrator, Region IV