



RICK SCOTT  
GOVERNOR

ELIZABETH DUDEK  
SECRETARY

May 26, 2015

Victoria Wachino  
Director  
Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, MD 21244-1850

Dear Ms. Wachino:

Thank you for your May 21 letter with CMS's preliminary feedback on Florida's Low Income Pool (LIP) Amendment Request.

In your letter, you say, "we note that this level of funding for the LIP coupled with the options the state may elect at its discretion described in this letter would enable Florida to **retain Medicaid investment in the state at or above the current \$2.16 billion level** of LIP funding." Based on this communication and our subsequent clarifying conversations, we understand that the renewed LIP will provide us with enough money to maintain current Medicaid program funding levels.

While some have reported that LIP has been cut in half, the state has not lost the remaining over \$1 billion of the original \$2.16 total (again, as noted in your letter). Instead, the renewed LIP will include the flexibility to draw down federal match on up to \$1 billion in local funds and to drive these matching dollars into Medicaid managed care capitation rates. **This means there is no need to infuse additional state general revenue to maintain current Medicaid hospital funding levels in FY 2015-2016.** We have attached a proposal that would use the renewed LIP to flow \$2.27 billion through our program to hospitals.

Putting additional funding into the Medicaid Managed Care program allows the dollars to follow the patients and addresses your principles that "Medicaid payments should support services provided to Medicaid beneficiaries," and that "provider payment rates must be sufficient to promote provider participation and access." However, our analysis indicates that while total Medicaid funding levels are virtually unchanged for FY 2015-2016, there may be a \$54 million impact to medical school funding.

Thank you again for all of your assistance and work to keep Florida's Medicaid program whole. Your guidance has been essential to ensuring that there is no major fiscal impact to Florida healthcare providers who support the needs of low-income families in our state.

We would like to speak this week to discuss the attached proposal and ensure that it is aligned with your expectations for FY 2015-16 (Demonstration Year 10). We would also like to resolve any outstanding issues or concerns that limit your ability to provide a letter of agreement in principle and get your responses to Governor Rick Scott's letter sent to Secretary Burwell on May 12, 2015 inquiring about federal healthcare coverage and access options (also attached).

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Getting the Governor's questions answered and reaching an agreement in principle with CMS will allow us to start working on the detailed Special Terms and Conditions and help the Legislature build a state budget for FY 2015-2016.

In the meantime, if you have any questions or comments, please do not hesitate to contact me.

Sincerely



Justin M. Senior  
Deputy Secretary for Medicaid

Attachment- Proposal  
Attachment- Burwell letter

**PROPOSAL**

*\$1 Billion LIP operates similarly to LIP 4 distribution, Medical Schools not through LIP*

	2015-16 Total Computable	GR	IGTs	Federal
<b>Hospitals - LIP</b>				
LIP 4 (10%)	\$1,000,000,000		\$394,900,000	\$605,100,000
<b>Hospitals - Outside LIP</b>				
Rate Enhanc	\$1,209,663,561		\$477,696,140	\$731,967,421
Statewide I	\$57,653,279		\$22,767,280	\$34,885,999
Liver Globa	\$9,932,000		\$3,922,147	\$6,009,853
<b>Total Hosp</b>	<b>\$2,277,248,840</b>	<b>\$0</b>	<b>\$899,285,567</b>	<b>\$1,377,963,273</b>
<b>Medical Sc</b>	<b>\$0</b>			
<b>Federally C</b>	<b>\$0</b>			
<b>County Hei</b>	<b>\$24,829,937</b>		<b>\$9,805,342</b>	<b>\$15,024,595</b>
<b>Premium A</b>	<b>\$0</b>			
<b>Total LIP</b>	<b>\$1,000,000,000</b>		<b>\$394,900,000</b>	<b>\$605,100,000</b>
Total Outsi	\$1,302,078,777	\$0	\$514,190,909	\$787,887,868
<b>Grand Total</b>	<b>\$2,302,078,777</b>	<b>\$0</b>	<b>\$909,090,909</b>	<b>\$1,392,987,868</b>

	2015-16 Total Computable	GR	IGTs	Federal
<b>Medical Schools - Outside LIP</b>				
GME	\$80,000,000		\$31,592,000	\$48,408,000
Departmen	\$73,412,351	\$73,412,351		
<b>Total Medi</b>	<b>\$153,412,351</b>	<b>\$73,412,351</b>	<b>\$31,592,000</b>	<b>\$48,408,000</b>

Proposal is to use the entire \$1 billion 2015-16 LIP in a similar manner as the current LIP 4, returning 110% of the value of \$909 million in voluntary IGT contributions. Those contributions would produce a total computable pool of \$2.3 billion, which would be allocated as \$1 billion LIP, \$1.277 billion in hospital rate enhancements, statewide issues and Liver Global Fee, and \$25 million in CHD rate enhancements. No GR would be used in this system, freeing up the \$19 million in GR shown on the "Current" page to offset the \$73 million GR needed for medical school funding. The net GR need would be \$54,236,625.

**PROPOSAL -- TREATMENT OF CURRENT DOLLARS IN PROPOSAL**

\$1 Billion LIP operates similarly to LIP 4 distribution, Medical Schools not through LIP

	2014-15					
	Total Computable	GR	IGTs	Federal		Proposed Solution
<b>Hospitals - LIP</b>						
Special LIP	\$115,992,350	\$700,000				LIP/Rates, no GR
LIP 4 (8.5% Allocation Factor)	\$747,854,260					LIP/Rates
LIP 5	\$2,419,573					LIP/Rates
LIP 6 (~147% Return on Contribution)	\$963,184,508					Reduce by \$132M for uncollectibility in 13-14
Independent Report & Undefined Distribution	\$16,650,229					Discontinued
"Below the Line"	\$34,692,438	\$3,116,050				Discontinued, Grants
<b>Hospitals - Outside LIP</b>						
Rate Enhancements (Inpatient)	\$666,805,512	\$10,056,000				LIP/Rates, no GR
Rate Enhancements (Outpatient)	\$130,249,425					LIP/Rates
Statewide Issues	\$56,298,912					Same as current
Liver Global Fee	\$9,932,000					Same as current
<b>Total Hospitals, LIP-Related</b>	<b>\$2,744,079,207</b>	<b>\$13,872,050</b>	<b>\$1,095,833,581</b>	<b>\$1,634,373,576</b>		
<b>Medical Schools - LIP</b>	\$204,533,833	\$0	\$82,713,482	\$121,820,351		Move out of LIP by adding \$80 million in GME + \$73 Million GR in DOE budget; see separate exhibit
<b>Federally Qualified Health Centers (FQHCs) - LIP</b>	\$41,694,199	\$3,516,126	\$13,345,323	\$24,833,065		Discontinued
<b>County Health Departments (CHDs) - LIP</b>	\$24,829,937	\$1,787,550	\$8,253,677	\$14,788,710		LIP/Rates, no GR
<b>Premium Assistance - LIP</b>	\$16,117,014	\$0	\$6,517,720	\$9,599,294		Discontinued
<b>Total LIP</b>	<b>\$2,167,968,341</b>	<b>\$9,119,726</b>	<b>\$867,606,671</b>	<b>\$1,291,241,944</b>		
Total Outside LIP	\$863,285,849	\$10,056,000	\$339,056,797	\$514,173,052		
<b>Grand Total, LIP-Related</b>	<b>\$3,031,254,190</b>	<b>\$19,175,726</b>	<b>\$1,206,663,468</b>	<b>\$1,805,414,996</b>		

This exhibit provides a breakdown of all dollars related to LIP in 2014-15, and notes important aspects of how they are treated in the proposal. Of particular note is the \$132 million reduction to the LIP 6 dollars: this reduction is made to be more reflective of the actual dollars distributed in 2013-14 and likely for 2015-15. In 2013-14 these funds were appropriated for "self-funded" rate enhancements, but ultimately could not be completely paid out due to certain facilities reaching their cost caps. Similarly, in 2014-15 there appear to be LIP-appropriated funds that will not be distributable, also related to individual facilities reaching their cost caps. Therefore, a reduction is appropriate to reflect a more accurate baseline.

**PROPOSAL***\$1 Billion LIP operates similarly to LIP 4 distribution, Medical Schools not through LIP*

	<b>2015-16 Total Computable</b>	<b>GR</b>	<b>IGTs</b>	<b>Federal</b>
<b>Hospitals - LIP</b>				
LIP 4 (10% Allocation Factor)	\$1,000,000,000		\$394,900,000	\$605,100,000
<b>Hospitals - Outside LIP</b>				
Rate Enhancements (Inpatient & Outpatient)	\$1,209,663,561		\$477,696,140	\$731,967,421
Statewide Issues	\$57,653,279		\$22,767,280	\$34,885,999
Liver Global Fee	\$9,932,000		\$3,922,147	\$6,009,853
<b>Total Hospitals, LIP-Related</b>	<b>\$2,277,248,840</b>	<b>\$0</b>	<b>\$899,285,567</b>	<b>\$1,377,963,273</b>
<b>Medical Schools - LIP</b>	<b>\$0</b>			
<b>Federally Qualified Health Centers (FQHCs) - LIP</b>	<b>\$0</b>			
<b>County Health Departments (CHDs) - Outside LIP</b>	<b>\$24,829,937</b>		<b>\$9,805,342</b>	<b>\$15,024,595</b>
<b>Premium Assistance - LIP</b>	<b>\$0</b>			
<b>Total LIP</b>	<b>\$1,000,000,000</b>		<b>\$394,900,000</b>	<b>\$605,100,000</b>
Total Outside LIP	\$1,302,078,777	\$0	\$514,190,909	\$787,887,868
<b>Grand Total, LIP-Related</b>	<b>\$2,302,078,777</b>	<b>\$0</b>	<b>\$909,090,909</b>	<b>\$1,392,987,868</b>

	<b>2015-16 Total Computable</b>	<b>GR</b>	<b>IGTs</b>	<b>Federal</b>
<b>Medical Schools - Outside LIP</b>				
GME	\$80,000,000		\$31,592,000	\$48,408,000
Department of Education	\$73,412,351	\$73,412,351		
<b>Total Medical Schools</b>	<b>\$153,412,351</b>	<b>\$73,412,351</b>	<b>\$31,592,000</b>	<b>\$48,408,000</b>

Proposal is to use the entire \$1 billion 2015-16 LIP in a similar manner as the current LIP 4, returning 110% of the value of \$909 million in voluntary IGT contributions. Those contributions would produce a total computable pool of \$2.3 billion, which would be allocated as \$1 billion LIP, \$1.277 billion in hospital rate enhancements, statewide issues and Liver Global Fee, and \$25 million in CHD rate enhancements. No GR would be used in this system, freeing up the \$19 million in GR shown on the "Current" page to offset the \$73 million GR needed for medical school funding. The net GR need would be \$54,236,625.

## PROPOSAL -- HOSPITAL AND MEDICAL SCHOOL BUILD-UP

*\$1 Billion LIP operates similarly to LIP 4 distribution, Med Schools not through LIP*

### Proposed Hospital Solution Build-up

Hospital Starting Point	\$2,744,079,207
Reduced for "Discontinued" - Misc & Grants	\$2,692,736,540
Reduced for uncollectibility in FY 2013-14	\$2,560,736,540

\$1 B LIP serves as 10% ROI	\$1,000,000,000
IGTs produced	\$909,090,909
Total Computable	\$2,302,078,777

Statewide Issues and Liver Global Fee	\$67,585,279
Rate Enhancements (Inpatient & Outpatient)	\$1,209,663,561
Paid through LIP	\$1,000,000,000
Total LIP-Related Hospital	<b>\$2,277,248,840</b>

Difference between starting point and proposed \$283,487,700 Unfunded

*It is not necessary to close the gap completely between the 2014-15 funding and new LIP-related funding. Dollars that flow into the base Medicaid rates are magnified when built into the MMA capitation rates and paid out by managed care plans, many of which have contracted at rates significantly higher than Medicaid FFS.*

### Proposed Medical School Solution Build-up

Historic Federal Funding Prior to Moving to LIP	\$120,000,000
14-15 Federal Funding through LIP	\$121,820,351

Increase in GME to affiliated hospitals - ttl computable	\$80,000,000
IGTs required	\$31,592,000
Federal share of GME	\$48,408,000

Make up the Difference in GR in DOE Budget \$73,412,351

Total to Med Schools, Outside LIP \$121,820,351

*Proposed solution is to increase the current GME program by \$80 million, with the additional funds directed to teaching hospitals affiliated with medical schools, which can then provide support to the schools and practice plans. Additional funds are provided through the Department of Education budget supported by GR. This solution produces a net funding to the medical schools of just under \$122 million, equivalent to the federal share received in 2014-15 through LIP.*