



CHARLIE CRIST  
GOVERNOR

*Better Health Care for all Floridians*

THOMAS W. ARNOLD  
SECRETARY

June 29, 2010

Mr. Mark Pahl, Project Office  
Centers for Medicare and Medicaid Services  
Center for Medicaid and State Operations  
7500 Security Boulevard, Mail Stop S2-01-16  
Baltimore, Maryland 21244-1850

Re: Florida's Medicaid Reform Section 1115 Demonstration: Special Term and Condition (STC) #105.1(b)

Dear Mr. Pahl,

On January 29, 2010, the Agency for Health Care Administration (Agency) received approval from the Centers for Medicare and Medicaid Services (CMS) for the State's request to amend #105 of the Special Terms and Conditions for the Florida Medicaid Reform section 1115 Demonstration (project No. 11-W-0000-5/4). The approval was effective February 1, 2010, and the second deliverable of the revised STC is the submission of the required report outlined in 1(b) below, due June 30, 2010. We are pleased to submit this letter in compliance with STC #105.1(b).

#### **Original STC 105**

At the beginning of demonstration year 5, \$700 million will be available. An additional \$300 million will be available at the time the demonstration is operating on a statewide basis for a total of \$1 billion.

#### **Amended STC 105**

At the beginning of demonstration year 5, \$700 million will be available. At the beginning of demonstration year 5, an additional \$150 million will be available at the completion of milestones due on or before demonstration year 4 ending June 30, 2010. An additional \$150 million will be available at the completion of milestones due on or before October 31, 2010.

1) The Florida Agency for Health Care Administration will:



- (a) Develop a draft reconciliation review tool and instructions, in consultation with CMS, to be used for the reconciliation of LIP expenditures by April 30, 2010. CMS will have 30 days to review the draft reconciliation tool, request additional information or approve the tool. The 'tool' will implement the following recommendations provided to the State in the Financial Management Review (FMR).
  - i. Written procedures to calculate the Medicaid Shortfall Amount will be provided to participating providers to ensure correct calculations.
  - ii. Written instructions and definitions and review procedures regarding allowable costs will be provided to participating providers to ensure that only allowable costs are being included.
  - iii. Written procedures will be provided to participating providers to ensure that the LIP cost limit forms are consistently completed.
- (b) Provide CMS a schedule for the completion of provider reconciliations statewide for demonstration years 1, 2, 3, and 4 by June 30, 2010.
- (c) Provide completed reconciliations, by demonstration year and by provider, for all providers for demonstration years 1 and 2 by October 31, 2010. Demonstration year 1 LIP expenditure reconciliations must use the DSH audit reports for verification of reconciliation results and method.
- (d) Provide completed reconciliations for all providers for demonstration year 3 by March 31, 2011.
- (e) Provide reconciliations for providers for demonstration year 4 by March 31, 2011.

For LIP hospitals that receive DSH funding, DSH audit results and a supplemental LIP report for primary care and ancillary provider distributions and STC #96, may be used as part of the LIP reconciliation. The results of the reconciliations must be reported to CMS with summary by provider and in aggregate for the LIP with sufficient details included or made available upon request for validation.

2) The Florida Agency for Health Care Administration will provide:

- (a) A report of the LIP dollars currently allocated (by the State and/or health system) to participating providers that are within the operating budgets for State fiscal year 2009 – 2010 (SFY) to fund alternative delivery systems that provide ambulatory and preventive care services in non-inpatient settings by May 31, 2010. The report will provide a baseline assessment of current administrative capabilities and develop a reporting process to prospectively track the use of LIP funds allocated to hospital entities and subsequently used to fund uncompensated care in ambulatory and preventative care settings.
- (b) An update with SFY 2010-11 projections for LIP dollars allocated (as described in 2 a) to participating providers by June 30, 2010. This update will include descriptions of increases to allocations and changes to current allocations.

### Agency Update

In compliance with the amended STC #105.1b, the Agency is providing CMS with the following schedule for the completion of provider reconciliations statewide for demonstration years 1, 2, 3, and 4:

- By October 1, 2010, the State will provide completed reconciliations, by demonstration year (DY) and by provider, for all providers for DYs 1 and 2.
- By March 31, 2011, the State will provide completed reconciliations for all providers that have submitted the required cost reports for DY 3, and for any providers that have DY 4 cost reports complete and submitted.
- All required reconciliations for DY 3 and DY 4 not completed as of March 31, 2011 will be submitted on quarterly a basis as the information becomes available, with the final information filed no later than December 31, 2012.

The State will provide updates in the quarterly and annual CMS reports on provider reconciliation submissions.

We appreciate your support and efforts in working with our staff on Florida's Medicaid Reform section 1115 Demonstration Wavier, and look forward to a timely review and approval as this will facilitate our ability to meet subsequent deadlines in STC #105. Should you have any questions, please contact me at (850) 412-4075. We look forward to continuing to work with you.

Sincerely,



S. Michele Hudson  
Bureau Chief, Medicaid Program Analysis

cc: Anna DuBois, CMS Florida Analyst