FLORIDA MEDICAID

JEB BUSH
GOVERNOR

CHRISTA CALAMAS
SECRETARY

November 22, 2006

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

Florida Medicaid Reform Reimbursement and Funding Methodology Document - CMS Comments

Dear Mr. Pahl:

In accordance with Item 100 of the Special Terms and Conditions (STCs) for the Florida Medicaid Reform Section 1115 Demonstration, the Agency for Heath Care Administration (the Agency) submitted a revised Low Income Pool (LIP) Reimbursement and Funding Methodology Document to CMS for review on June 14, 2006. Please accept the following responses to comments received from CMS on September 26, 2006, regarding the Florida Medicaid Reform Reimbursement and Funding Methodology Document submitted to CMS on June 14, 2006. These responses may be explained in greater detail in the revised portions of the attached update to the Reimbursement and Funding Methodology document.

1. **Section II C (Provider access system category three....hospitals in communities where local government provides more than $1M.)** The State indicates that hospitals will be capped at 120 percent of the amount of local funding it would have received from its local government. How does the State determine the amount that the local provider would have provided?

   The amount of local funding that a hospital would have received from its local government is determined through the Letter of Agreement (LOA) process between the Agency for Health Care Administration (the Agency) and the local government/taxing district.

2. **Section II F (Distributions to Federally Qualified Health Centers.)** Has [AHCA] and the Florida Department of Health determined the methodology for how FQHCs can qualify for the $15.3 million in LIP funds being allocated? Can the State clarify the reasoning for making LIP payments to FQHCs?

The methodology for the $15.3 million, referred to in section II, F of the Reimbursement and Funding Methodology document, is allocated in two different processes. The document has been updated to reflect the processes:

> *In the first process, which includes a total of $7,276,255, the Department of Health (DOH) will match up to a total $1,500,000 per State Fiscal Year, any local government Intergovernmental Transfer (IGT) provided to the Agency on behalf of a Florida Qualified Health Center (FQHC) for a LIP distribution. The participating FQHCs must go through an intense competitive review process with DOH in order to qualify for these funds. The FQHCs must show that they are increasing access to primary care services in rural and underserved areas of Florida by expanding their services.*
>
> *In the second process, which includes a total of $8,000,000, local governments will provide the full State share match. The funds shall be distributed to all Florida FQHCs through a methodology which allocates the funds proportionally by the relative number of uninsured visits (as a percentage of all uninsured visits to Florida FQHCs) to an FQHC, weighted by the Medicaid cost per visit or encounter. The FQHCs must show that they are increasing access to primary care service for Medicaid and uninsured populations.*

The FQHCs are seen as one of the major sources for access to primary care services to the Medicaid, uninsured and underinsured populations. Improving their access to these communities is considered as an essential component of LIP. Florida FQHCs operate in 42 of the state's 67 counties, many of which are rural. LIP funds being allocated to Florida FQHC's will enable the health centers to meet appropriate needs of additional uninsured persons.

3. **Section III A, 4 g– (Hospital underinsured and uninsured costs.)** The State indicates that providers may incur costs that are strictly for programs of services furnished to uninsured and underinsured patients. Does the State intend to include any "State only" insurance products or programs in this category of costs eligible for reimbursement?

   There are no "State only" insurance products or programs funded from LIP at this time.

4. **Section III B, 1 a – (Expenditures for non-hospital providers.)** Can the State specifically identify in the document what entities and providers are being classified as "non-hospital providers and eligible for LIP payments under this methodology?

   Section III of the Reimbursement and Funding Methodology document was created as a broad overview of permissible expenditures for any entity that might be approved by the Florida Legislature to receive a LIP distribution. The entities eligible for State Fiscal Year 2006-2007 to receive a LIP distribution are specified in Section II of the Reimbursement and Funding Methodology document. Section IV details the calculation of the permissible expenditures for the hospital and non-hospital provider's. This calculation is referred to as the LIP Cost Limit. Section IV has been updated for purposes of clarifying the hospital LIP Cost Limit calculation in addition to providing the detail for the FQHC and the CHD LIP Cost Limit calculations.

5. **Section III B, 1 a – (Expenditures for non-hospital providers.)** In establishing costs for providers filing Medicare-only cost reports, the State describes a methodology

utilizing the average Medicare per patient visit multiplied by the number of Medicaid visits. Can the State explain how such Medicaid encounter data would be accumulated and reported?

The State has updated Section III, B, 1, describing the process of obtaining Medicaid encounter data.

6. **Section III B, 1 b – (Expenditures for non-hospital providers.)** The State has identified (in sections c, d and e) a proposal for calculating distribution, but these allocations don't seem to be directed toward costs. If the State is proposing that its reconciliation process will capture the actual costs of these providers than the proposed methodologies work as interim payments. How does the State propose to reconcile if it cannot capture the costs for these types of providers?

   The information provided in section III, B, 1, b-e, was created in the event the Florida Legislature provided LIP appropriations for such entities. No such appropriations were provided.

   In the event that there are specific LIP funds appropriated for these providers the recommended proxy for calculating their costs will be either the Medicare or Medicaid fee schedule. The providers described in these sections do not complete Medicare or Medicaid cost reports. In the absence of a cost report the Agency believes it is reasonable to use the available Medicare or Medicaid fee schedule as a proxy for establishing the Medicaid, uninsured, and underinsured costs, as Medicare and Medicaid reimbursement is considered to be equivalent to or less than cost.

7. **Section IV C – (Shortfall for Medicaid, Uninsured, and Underinsured costs.)** The State has indicated that all provider types will be required to complete the LIP Cost Limit Calculation worksheet. Non-hospital providers will be required to submit a Permissible Expenditures Certification Form to provide some level of accountability and assurance. How often and to what level of detail does the State intend to review and audit submissions from non-hospital providers?

   All providers, including hospital providers, are required to submit a Permissible Expenditures Certification Form. This form is required by each provider upon submission of the provider's LIP Cost Limit worksheet. The LIP Cost Limit worksheets will be completed by hospitals, FQHCs, and CHDs. The data will be reviewed for reasonableness by the State and may be randomly audited or audited in cases where the data in the worksheets appears to be greater than the anticipated amounts, or prior year reporting amounts.

8. **Section V A – (Planning and Reconciliation.)** The State is indicating that distributions will be made monthly or quarterly and could vary by provider type. What is the distribution schedule that the State has decided upon for each type of provider?

   The LIP distributions will be quarterly, except for LIP1 or LIP2, where the distributions may be monthly. One of the providers in LIP1, Jackson Memorial Hospital, requested we make their distributions monthly due to financial issues.

9. **Section V B – (Planning and Reconciliation.)** The reconciliation process indicates the cost limit for each provider will be determined during the first quarter of the State fiscal

year. Payments will then be made as long as there is a positive remaining balance of the LIP Cost Limit. Will there be a final reconciliation each year (for each provider) based upon LIP payments made during a State fiscal year compared to the provider costs incurred during that same fiscal year?

The LIP Cost Limit worksheets for all provider types are prospective, based on prior year cost data, as most Florida Medicaid provider reimbursement rates are calculated. Current year LIP payments will be deducted from the prior year cost data. There will be no reconciliation based upon LIP payments made during a State fiscal year compared to the provider costs incurred during that same fiscal year. Provider costs incurred during the first year of LIP distributions will be part of the LIP Cost limit in the subsequent LIP distribution period.

10. As outlined in the Special Terms and Condition paragraph 101, the final Reimbursement and Funding Methodology document must include a reporting methodology for the number of individuals and types of services provided through the LIP. Can the State provide a draft of its proposed methodologies to meet this requirement?

The reporting methodology is included in the Reimbursement and Funding Methodology document. Please reference Section VIII.

11. Has the State identified the "source of funds" for the $4.9 million in funds noted as "undetermined" in the State's correspondence of June 1, 2006?

The State has identified all except $361,000 of the non-Federal source of funds for LIP. The remaining amount will be determined during the DOH's next Intent to Negotiate (ITN) process with the local FQHCs. This is scheduled to begin during the month of December, 2006. The State will provide the remaining local source of funds as they are identified. A table of the current non-Federal source of funds can be found in Section VII.

Thank you for reviewing this information in a timely manner. Please let us know if you need any additional information for approval of the requested LIP funding sources.

Sincerely,

Thomas W. Arnold
Deputy Secretary for Medicaid

TWA/gc

Enclosures

cc: Paul Belcher, Low Income Pool (LIP) Council Chairman
Carlton D. Snipes, Assistant Deputy Secretary for Medicaid Finance
Sybil Richard, Assistant Deputy Secretary for Medicaid Operations
Phil Williams, Bureau Chief, Medicaid Program Analysis
Carol Gormley, Executive Office of the Governor