Agenda Item 2 **APPROVED AND ADOPTED JANUARY 24, 2007**

Meeting Minutes

Low Income Pool (LIP) Council
Tampa International Airport
Tampa Aviation Authority Board Room
3rd Floor Main Terminal
5503 West Spruce Street
Tampa, Florida 33607
January 11, 2007
10:00am – 4:00pm

Members Present

1. **Paul Belcher, Chairman**
2. **Paul Rosenberg, Shands Hospital**
3. **Tony Carvalho, Statutory Teaching Hospital Council**
4. **Michael Gingras, Heath Management Associations**
5. **Patrick Hanlon for Steve Mason, Baycare Health System**
6. **Dee Schaeffer, Halifax Community Health System (Phone)**
7. **Mike Hutchins, Baptist Health Care**
8. **Lewis Seifert, Adventist Health System**
9. **Charlotte Mather, North Broward Hospital District (Phone)**
10. **Pete Clarke, Orange County Government**
11. **Marvin O'Quinn, Jackson Memorial Hospital**
12. **Craig Jenkins for Dwight Chenette, Health Care District of Palm Beach County**
13. **Steve Short, Tampa General Hospital**
14. **Hugh Greene, Baptist Health**
15. **Frank Sacco, Memorial Health Systems**
16. **Dave Ross, Tenet Health Systems**
17. **Mike Marks, Hospital Corporation of America**

Members Absent

None

Others Participating in Person

1. Lecia Behenna, AHCA
2. Phil Williams, AHCA
3. Genevieve Carroll, AHCA
4. James Estes, FHS
5. Doug Mannheimer, Broad & Cassel

6. Lance DeLaruelle, Bethesda
7. Niccie L. McKay, PhD, University of Florida
8. Scott Hopes, FACHC
9. Andy Behrman, FACHC
10. Joe Horsey, HCA
11. Diane Settle, Sarasota Memorial
12. Janet Krail, Sarasota Memorial
13. Mel Chang, DOH
14. Keith Arnold, Lee Memorial
15. Kay Bowman, HCA
16. Phil Street, DOH
17. Jeanette Nunez, Jackson Memorial
18. Christine Neuhoff, Shands
19. Frank Barrett, Jackson Memorial
20. Katherine Adams, Pinellas County
21. Robert Butler, WellCare
22. Shira Kastan, Miami Children's Hospital
23. Brian Jogerst, All Children's, Miami Children's and Baptist/Jacksonville
24. Dennis Fuller, Shands
25. Diane Dimperio, St. John's River Rural Health Network
26. Scott Davis, Memorial Healthcare Systems
27. Jan Gorrie, BIPC
28. Clark R. Scott, Pinellas County

Others Participating by Telephone

29. Mirène D. Charles, Mount Sinai Medical Center
30. Marty Lucia, Miami-Dade
31. Michael Sheedy, Florida Catholic Conference
32. Daniel Verhoff, Mercy Miami
33. David A. Pizzi, BCBS
34. Geoffrey Becker, Metz Law
35. Michael J. Tretina, St. Vincent's Health System
36. Stephen Bradley, AHCA
37. Andrea B. Simpson, Leon County
38. Howard Friedlander, HCA
39. Jules Kariher, MCHSI
40. Jeff Harris, Spivey/Harris Health Policy Group
41. Leah McCallister, DOH
42. Edward C. Mesco, Tenet Health Systems
43. Bobby Jernigan, DOT

Roll Call and Introductory Remarks

Paul Belcher, Council Chairman, opened the meeting of the LIP Council (the Council) with a roll call of members present in person or by telephone and those individuals filling in for a member unable to participate.

Chairman Belcher welcomed the Council members and the interested parties in attendance. Chairman Belcher opened the discussion with a reminder of the special legislative session that was about to begin. This special session will focus on the property insurance costs and one of the factors that would affect the LIP Council would be the amount of General Revenue the Governor would be willing to use to aid in the rising property insurance costs. Chairman Belcher explained that the estimates of General Revenue come out twice a year in March and November and based upon the estimates in November 2006 there was a 4% increase in *recurring* State General Revenue equating to about a $1.1 billion increase but in the *nonrecurring* State General Revenue there is an estimated decrease in the amount of $1.8 billion. The Council would need to keep these factors in mind as they prepare their recommendations that may encourage the use of any General Revenue during a tight budget year.

Approval of December 11, 2006 Minutes

The Council members were asked to approve the meeting minutes from the December 11, 2006, LIP Council meeting. The minutes were unanimously approved and adopted.

Update on Status of Local Agreements and Distribution Schedule

Phil Williams explained that the State required a total of 49 letters of agreement (LOA) returned by the local taxing districts/county governments. Of these 49 LOAs needed, the State has received 35 fully complete. Of the remaining 14, 6 are in a pending status with a few details left to be completed and the remaining 8 do not fit in any category. Of the special LIP projects, 3 of the 5 counties have completed their LOAs with Charlotte and Walton Counties pending. For the FQHCs, the State has received 4 complete LOAs, 2 pending (Indian River and Pinellas), 3 are in progress (2 in Manatee County and 1 in Pasco County). For the new $8 million in FQHC funding, the State needs 17 total LOAs and has received 7 complete, 5 are pending, and 5 are unknown.

Mr. Williams stressed the importance of receiving all the LOAs in order for the Center's for Medicare and Medicaid Services (CMS) to approve payments. Tony Carvalho asked if the State had a plan for what would happen if they did not receive all the LOAs. Mr. Williams stated that the State felt confident with the continued dialogue and discussion it was maintaining with the local taxing districts/counties that the State would ultimately

receive all the LOAs. Mr. Carvalho noted that legislative authorization exists to allow a reallocation of current 2006-07 LIP funding to recognize additional IGT since the State must meet the match requirements to pull down the federal dollars. Mr. Williams stated he would explore this option if the Council members wanted to go in that direction. Chairman Belcher emphasized that the State was really only waiting on two counties, Hillsborough and Palm Beach, which are holding up major distributions of funds and that the State should have those LOAs by the end of February.

Discussion of Growth and Additional Costs of Exemptions

Genevieve Carroll discussed three spreadsheets regarding the growth and additional cost of the exemptions program.

The first spreadsheet was a comparison between hospital provider reimbursement and the calculated costs of the Medicaid program. This comparison was shown three different ways:

- All hospital providers exempt from ceilings and targets (88 providers);
- All hospitals that are not exempt from ceilings and targets (150 providers); and
- A combined total of these two categories (238 providers).

The hospitals providers that are currently exempt from ceilings and targets receive 95.25% of their cost and the reason this is not 100% is because of the Medicaid trend adjustment that was part of the recurring rate reduction for inpatient and outpatient hospital providers. The hospitals that are not exempt from ceilings and targets receive 61.39% of their costs.

Tony Carvalho noted that of the 88 exempt hospitals, 51 are exempt and paid with local IGTs. Mr.Carvalho asked if the remaining 37 hospitals were considered rural? Genevieve Carroll stated that only 31 were considered rural and the other 6 were paid out of General Revenue. Mr. Carvalho asked for the hospitals that are exempt from ceilings and targets, what percentage does the Medicaid program pay for? Genevieve Carroll stated that the Medicaid program pays for 61%. Mr. Carvalho stated that within that 61% is PMATF dollars and that it is simply unfair that the difference between the 61% and 100% is made up for by local tax dollars. Chairman Belcher explained that the cigarette tax is part of the PMATF money.

Mike Marks asked if this comparison excluded fixed costs? Genevieve Carroll stated that this comparison included only variable costs.

The second spreadsheet for this agenda item displayed the projected effects of the proposed changes to hospitals currently exempt from ceilings and targets. This spreadsheet used January 2007 hospital reimbursement rates and displayed the difference between the current provider exemption costs with the added provider exemption costs. Tony Carvalho asked if this was a $207 million dollar increase and Genevieve Carroll

explained that is was in fact a $204 million dollar increase as the total increase went from $433 million to $637 million. Chairman Belcher noted that this did not represent any change in the current policy behind the exemptions.

The last spreadsheet for this agenda item forecast the growth in the hospital exemption status from January 2007 through January 2012. Mike Marks noted that after seeing the projected growth in the exemptions program for the next five years clearly shows the growth as explosive. Mr. Marks recommended that with this rate of growth in the cost of the exemption program, the LIP Council needs to focus on what will happen to the LIP program. Tony Carvalho noted that this increase is larger than expected. Pete Clark noted that the local governments simply cannot keep up with this need for local match.

Discussion of History of Special LIP Payments and Effects of Reductions

Phil Williams discussed a brief history of the safety net/hold harmless payments that the state has made going back to the 2001-02 state fiscal year. As requested by the LIP Council at the previous LIP Council meeting, this discussion was intended to add definition to the various components of the safety net/hold harmless payments. Mr. Williams used two handouts to discuss the safety net payments made under the LIP/UPL programs since 2001-02. The spreadsheet detailed that initial allocation began with 5 hospitals in SFY 2001-02 but through SFY 2005-06 includes 18 hospitals.

Frank Sacco noted that out of the billion dollar annual allotment, legislative exemptions take 10% or $100 million dollars. Mr. Sacco supported across the board cuts and felt General Revenue should fund the legislative exemptions. The current cuts are not fair and equal.

Chairman Belcher apologized for not being able to obtain the work papers for how the initial fiscal year 2001-02 $28 million was established.

Chairman Belcher discussed a spreadsheet comparing the current Special LIP program funding with a “what if” look at across the board reductions at 10%, 15%, and 20% in the Special LIP categories.

Comparison of FHURS and Audited Data

Genevieve Carroll discussed a spreadsheet that compared the differences in audited DSR data used for Disproportionate Share Hospital distributions to Florida Hospital Uniform Reporting System (FHURS) data. Specifically, this spreadsheet compared 2005 FHURS data to audited data from 2001, 2002, and 2003.

Dave Ross noted that the use of audited data from 2001, 2002, and 2003 versus FHURS data from 2005 was not very useful. Mike Marks concurred with this observation.

Discussion of IGT Requirements

Genevieve Carroll initiated the discussion of IGT requirements with a review of a summary sheet that was not available until the day before the meeting so it had not been posted to the LIP website or e-mailed out in time for the LIP Council members to review it ahead of time. This sheet summarized the funding changes in the LIP program and exemptions from ceilings between SFY 2006-07 and SFY 2007-08 based upon the changes in the Federal Medical Assistance Percentage (FMAP). The Agency staff prepared two specific models for the Council to review and before the Council was to review the details of the two models, this summary laid the foundation for the additional funds required in state match due to both the changes in the FMAP and the increased costs of the exemptions policy. Ms. Carroll continued this review with a spreadsheet detailing the projected IGTs needed for Model 1 using 100% of General Revenue. This spreadsheet estimated the total additional IGT needed for SFY 2007-08 to be $122,464,001 if 100% General Revenue was used. Chairman Belcher emphasized commitment from the entities providing the IGT was crucial. Tony Carvalho noted that if we don't have the local match then the projected losses will be much greater. Additionally, Mr. Carvalho noted that we may be forced to cut benefits and ultimately lose out on some available federal match.

Model 1 100% GR for Exemptions Discussion

Genevieve Carroll moved into the detail of Model 1 after the review of the IGTs. This analysis included five tables that were all based on the use of 100% General Revenue as the current base.

Table 1: Special LIP Payments by Provider/Program for SFY 2007-08.

Table 2: LIP1, LIP 2, and LIP 3 Calculations. Tony Carvalho asked why this model reflects an increase for LIP 1 in the amount of IGTs needed but does not display a decrease in LIP 2 or LIP 3? Chairman Belcher responded that the spreadsheets that follow Table 2 would balance all three LIP categories out.

Table 3a: Impact of additional IGTS for LIP (only LIP)

Table 3b: LIP, DSH and Exemptions Payments by providers, 2007-08. Shows the total additional IGTs needed to be 9.9 million for LIP 1 and 9.5 million for LIP 2. Model 1 implemented a 2.7 percent reduction by LIP category.

Table 5: Summary of Projected LIP, DSH, and Exemptions IGTs net of projected payments for 2007-08

Model 2 60% GR for Exemptions Discussion

Model 2 included the same data analysis as Model 1, except it was done with using 60% General Revenue and 40% local match.

Table 1: Special LIP Payments by Provider/Program for SFY 2007-08.

Table 2: LIP1, LIP 2, and LIP 3 Calculations

Table 3a: Impact of additional IGTS for LIP (only LIP)

Table 3b: LIP, DSH and Exemptions Payments by providers, 2007-08

Table 5: Summary of Projected LIP, DSH, and Exemptions IGTs net of projected payments for 2007-08

IGTs needed in LIP 2 for Model 2 did not get reduced because of the 4% discretionary allocation. Tony Carvalho wanted to see the overall impact of LIP 2 in Model 2.

Paul Belcher summarized the two models with Model 1 representing the $122 million shortfall in IGTs with $96 million of the $122 million being new dollars. Model 2 represents $57 million needed in General Revenue.

After these two basic models were presented in detail, the Council discussed what models should comprise the final recommendations to the Florida Legislature due by February 1, 2007. Chairman Belcher indicated to the Council members that it was not necessary to vote during this meeting but if there was a variation of either model presented during the meeting that a Council member would like to see presented at the final meeting, the request would have to be received by Genevieve Carroll at the Agency no later than Tuesday, January 16, 2007, in order to have it available for review at the final LIP Council meeting scheduled for Wednesday, January 24, 2007.

The Council members continued to discuss what basic premise the final LIP Council recommendations should be built upon. Tony Carvalho offered to the Council that he supported a recommendation asking for the maximum amount of General Revenue possible simply because the amount of General Revenue that the LIP program may receive is the key issue. According to Mr. Carvalho, he felt any dollar amount of money the LIP program received from the Florida Legislature would be a victory for the LIP program because this would be a clear indication that there is a problem in the LIP Program and the State is willing to use any General Revenue to fix it.

Marvin O'Quinn noted that this potential approval by the Legislature would lay a foundation even if the Legislature can only officially commit for one year. The Council discussed the possibility of a three year window to begin a request of General Revenue at 60% and increase that amount to 100% over the next three years. Hugh Greene noted that the IGT program, since the days of the UPL program, was widely used as a short term solution and now the State should increase its portion of support for the IGTs through use of General Revenue. Tony Carvalho added that since retaining the 116% of the

contribution of the local government will cost roughly $9 million more in 2007-08, a cut will have to come somewhere in LIP 1, LIP 2, LIP 3 or special LIP. Marvin O'Quinn posed the question: what if the Legislature simply disproves any General Revenue for LIP? Are we allowing the Legislature to modify or change the recommendation the LIP Council submits? This is dangerous. Would the Council reconvene during the 2007 session if necessary? Chairman Belcher felt it was not likely the Council would reconvene unless specifically asked to do so by the legislature. Hugh Greene felt it was important to step back and clearly understand how the State of Florida funds the Medicaid program.

Tony Carvalho stated that the State of Florida is using federal dollars to subsidize the LIP program and this approach is not sustainable. Mike Marks suggested asking for one single amount of General Revenue because if the Florida legislature sees two amounts of General Revenue requested, they will only use the smaller amount. Paul Rosenberg suggested keeping in mind how the overall Medicaid reform efforts should affect the funding request that the Council proposes. The uninsured must be included in analysis. Hugh Greene asked if a non-contract Medicaid provider receives a Medicaid rate or a rebased rate. Chairman Belcher responded that the rebased rate is calculated into their current rate. Tony Carvalho noted that we must set targets based upon a sound policy that we can defend.

Paul Rosenberg asked the Council to attempt to prevent deep cuts in one year to hospitals that are benefiting from the LIP program. Steve Short asked why the DSH program and the LIP program are entirely separate programs but are sometimes treated the same? Chairman Belcher responded that the simple answer was because IGTs support both programs. Frank Sacco noted that $57 million was attributed to exemptions or hold harmless payments in the base funding allocation. Mr. Sacco added that across the board cuts is not a level playing field. Paul Belcher mentioned that the expansion of the exemption program is at risk. How could the State lower the General Revenue requirement?

Chairman Belcher thanked the members for their thoughts and ideas. Chairman Belcher asked the members to focus on what types of recommendations they were or were not comfortable with developing. Paul Rosenberg was not comfortable with the 13% reduction proposed in Model 2 that would equate to $48 million in reductions. He felt the net impact of this model would be too damaging to the big safety net hospitals and they would not be able to continue to operate. Frank Sacco noted that we may have thought too much about additional General Revenue from the State and should think a little more on what may happen if no General Revenue comes from the State to help the LIP program. This may be reflected in a combination of across the board cuts and some (if any) General Revenue. Paul Belcher asked the Council about potential adjustments to the hold harmless payments? Paul Rosenberg responded that he supported protecting hold harmless payments as reductions to these payments are dangerous and he suggested putting this possibility off until later.

Mike Marks stated that now knowing a little of the history of the hold harmless payments, it was important to determine what really is a hold harmless payment. Mr. Marks supported using General Revenue for the entire program and the IGTs used in the hold harmless payments should go to all hospitals and that the exemptions be completely separate issue. Paul Belcher noted the importance of holding all the hospitals together in the solutions and supported Tony Carvalho's direction of requesting General Revenue from the legislature for at least part of the solution. Tony Carvalho pointed out the two Florida Counties (Broward and Dade) are currently supporting the IGT program in the amount of $57 million dollars (75% of total IGTs) and that is simply not equitable. Charlotte Mather posed the question of whether or not any of the other Council members would be opposed to looking into cutting exemptions. Tony Carvalho responded by noting that the Council must determine if the cuts will be done selectively, exemptions may have to be an option but if the cuts are done across the board, then be supported leaving the exemptions alone? Chairman Belcher indicated that a model with 5% across the board exemptions would be sent to all members tomorrow, Friday, January 12, 2007.

Tony Carvalho asked why the Council has not looked into any cuts in the special LIP projects. Chairman Belcher asked Mr. Carvalho how much he was thinking of in possible cuts to the special LIP projects. Mr. Carvalho replied that he did not have a specific dollar amount in mind, but wanted to think about all options. Chairman Belcher noted that the $10 million into the county/FQHC projects do not have an impact on hospital's IGTs. Lewis Seifert asked to know more about how rates are calculated, specifically if the inflation of the rates can be capped. How would this affect the 11% threshold, would it go up or down?

Frank Sacco asked about the return of the $10 million dollar one time payment made to Jackson Memorial hospital. At this time, Marvin O'Quinn had left the meeting to catch his flight and was unable to answer this question for Frank Sacco.

Paul Belcher summarized the Council's requests for the final meeting to be:

1. A model with a 6.5% reduction equating to $24 million in reductions
2. A model with a 4% across the board cut in exemptions

Discussion of Projects List

Chairman Belcher reviewed a summary of the special LIP projects. This summary included the 2006-07 LIP funding, the 2007-08 *new* LIP funding requests, the *total* LIP funding requests for 2007-08, and the 2007-08 local match required.

Cost Reporting Workgroup

Scott Davis reviewed the efforts of the cost reporting workgroup that had previously met for the DSH Council and that has reconvened to assist the LIP Council in the issues surrounding the new requirements in cost reporting for the LIP program. Mr. Davis

explained to the Council that 700 million of the annual $1 billion in LIP is recurring funds and each provider must report their costs on the form that was handed out. This form was divided into hospital services and non-hospital providers using an unduplicated count of individuals served. The form seeks to capture the types of hospital services provided and the number of individuals served to arrive at a baseline report for all hospitals. Genevieve Carroll noted that this form would be due in August or September of each year.

Closing Comments/Next Meeting

No additional requests were brought to the Chairman and the meeting was adjourned.

_____

Paul Belcher Date
LIP Council Chairman