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Meeting Minutes

Low Income Pool (LIP) Council
Conference Call
November 6, 2007
1:30am – 3:30pm

Members Present

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

Members Absent

1. **Michael Gingras, Heath Management Associates**

Others Participants

1. Phil Williams, AHCA
2. Lecia Behenna, AHCA
3. Genevieve Carroll, AHCA
4. Edwin Stephens, AHCA
5. Dyke Snipes, AHCA
6. James Estes, FHS
7. John Owens, FHS
8. Michael C. Carroll, FACHE
9. Carol L. Bracy, Smith & Ballard
10. Mel Chang, DOH
11. J. Travis Coker, FACHC
12. Joe Horsey, HCA
13. Robert Butler, WellCare
14. Brian Jogerst, All Children's Hospital

15. Steven Grigas, ASE
16. Christian Schoepp, Health Council
17. Clark Scott, Pinellas County government
18. Barbara Reardon, CMS
19. Anna Dubois, CMS
20. Patrick Casserleigh, Leon County
21. Joanne Aquilina, Bethesda Healthcare System
22. Roger "R.H." Hahn, Vista Health Plans
23. Fred Whitson, Esq., Florida Medical Association
24. Jules Kariher, Sacred Heart Health System and Jackson Health System.
25. Stephen Bradley, AHCA
26. Lindy L. Kennedy, Safety Net Hospital Alliance of Florida
27. Margaret Brennan, Orange County Government
28. Janet Krail, Sarasota Memorial Health Care System
29. Brian Clark, EOG
30. Ronald Costanzo, HCA
31. Niccie L. McKay, PhD, University of Florida
32. Jeff Harris, Spivey/Harris
33. Eric Prutsman, Prutsman Law
34. Janet Perkins, Miami-Dade County Office of Countywide Healthcare
35. Miriam Franchi-Alfaro, Miami-Dade County Office of Countywide Healthcare
36. Mirène D. Charles, Mount Sinai Medical Center
37. Heather Youmans, Florida Association of Counties

I. Welcome/Roll Call of LIP Council Members

Paul Belcher, Council Chairman, opened the meeting of the Low Income Pool (LIP) Council (the Council) with a roll call of members present and those individuals filling in for a member unable to participate. Chairman Belcher asked if any members of the press were on the call and no member of the press was present.

II. Approval of September 11, 2007 Meeting Minutes

The minutes were unanimously approved.

III. Overview of Property Tax Reform Proposals

Chairman Belcher began the discussion of the property tax reform with a brief overview of the Department of Revenue’s overall decline in revenue estimations for the State of Florida. The general decrease in state revenue is estimated for State Fiscal Year (SFY) 2008-09 at a $1.5 billion projected decrease. The effect that this decline has on the LIP program is specifically related the amount of available funding. The SFY 2006-07, there was $31 million in General Revenue available for the LIP program and the five year projection for SFY 2010-11 estimates the same amount of to be available with no apparent increase in that five year period. The combination of collection decrease and additional budget reductions paces an even greater importance on the property tax issue than originally projected.

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The property tax referendum was approved with a January 29, 2008 constitutional amendment vote date. Specifically, the amendment has two critical components:

a. Double the current homestead exemption; and
b. Portability

For FY 2008-09, the projection is for a 1.4 billion savings in property taxes, with $200.4 million of this estimate impacting public schools. Since a major issue of the property taxing issue is that public schools should not be affected, that reduces the property tax savings down to $1.17 billion without the public school portion. Chairman Belcher emphasized the importance of the local government special taxing districts having their respective legal counsel thoroughly reviewing the law and proposed revisions. Tony Carvalho added that it may be a good idea if each of the special taxing districts provide the LIP Council with an estimate of its total collections as they relate to the constitutional amendment. Tony Carvalho emphasized that if a special taxing district is giving all of their money to subsidize the property tax referendum, then the taxing district has less money to contribute to the LIP program through IGTs. Chairman Belcher agreed with this request and added that the impact of the portability aspect of the property tax issue was critical to the LIP Council. Pete Clark added his agreement with the need for the taxing districts to quantify the effects of the property tax issue as the counties will really begin to struggle. Chairman Belcher added that AHCA will contact many of the counties to help with this assessment.

IV. Status Report on Cost Limit Reporting and Milestone Reporting Requirements

Genevieve Carroll discussed that AHCA had received approximately 83.7% of the LIP Milestone documents for SFY 2006-07, LIP Year 1, from all providers and roughly 77% of those respondents were hospitals. Approximately the same percent of LIP Cost Limit worksheets for SFY 2007-08 have been received. Mrs. Carroll emphasized the Agency's need to have the LIP Cost limit documentation forms returned prior to the processessing of any individual Provider Access System payment. In addition, the Agency also needed the LIP Milestone documents to submit to Dr. Mckay to complete her evaluation process. Chairman Belcher asked if there was an issue of the quality of the data being submitted and Mrs. Carroll stated that it was not a quality issue, simply an issue of the data being submitted.

V. CMS Inquiries

Phil Williams discussed the questions that the Agency is responding to regarding the LIP Reimbursement and Funding Methodology document that was submitted to CMS on May 29, 2007. A draft copy of the Agency's response was included as part of the discussion material for this meeting's handouts and was labeled on the agenda as item number 5. Chairman Belcher asked if the Agency was given a specific deadline for their response to CMS' questions and Phil Williams indicated that although there was no specific deadline, the Agency wanted to formally submit their response as soon as possible.

VI. LIP Evaluation Report Status – Dr. Mckay

Dr. Niccie McKay from the University of Florida gave an update of her evaluation of the LIP program. She explained to the LIP Council that with the receipt of the SFY 2006-07 LIP Milestone data, received on October 22, 2007, she would be able to conclude her analysis of the cost-effectiveness study. She reminded the LIP Council members she was focusing her analysis on establishing the link between LIP payments and the services being provided to the uninsured and underinsured.

VII. Review of Effects of $81 million Reduction for FY 2008-09

Chairman Belcher introduced the largest portion of the meeting's discussion noting that the models discussed during this meeting were not recommendations in any way, rather they were the different effects that the removal of the $81 million in non-recurring General Revenue (GR) would have on the various components of the LIP program. The models reviewed during this meeting would loosely adhere to three concepts:

a. How the LIP program would function with the removal of the $81 million in non-recurring;
b. The decrease in the FMAP rate and consequential increase in the State rate; and
c. The unknown increase or decrease in the cost of exemptions.

The $81 million of non-recurring General Revenue was achieved through the Legislature's approval of the $65 million requested through the LIP Council's SFY 2006-07 recommendations, with an additional $16 million received with very specific instruction by the legislature of how that funding would be distributed.

The LIP Council began to review a series of tables that analyzed the removal of the non-recurring GR. Before the first table was discussed, Chairman Belcher explained that the LIP program had $51 million in non-recurring GR. This $51 million was dealt with by adjustments in LIP 1, LIP 3, and safety-net hospitals. There was to be no adjustment to LIP 2. The tables discussed were as follows:

<u>TABLE 1</u>: LIP PROJECTIONS STATE FISCAL YEAR 2008-2009 PROPORTIONALLY REDUCED BY $51 MILLION IN NON-RECURRING STATE GENERAL REVENUE FUNDS

This table displayed the adjustments made in the Special LIP category of payments for safety-net Hospitals. The total of the adjustments was $16.5 million as a prorated reduction. This $16.5 million total is a reduction against the provider safety-net payments restored to the amounts reflected in the SFY 2006-07 LIP Council's recommendation.

<u>TABLE 2</u>: LIP1, LIP 2, LIP3 CALCULATIONS, ADJUSTED FOR THE REMOVAL OF NON-RECURRING STATE GENERAL REVENUE FUNDS

This table displayed the proportional adjustments made to LIP 1 and LIP 3 with no adjustment made to LIP 2. Chairman Belcher explained the Legislature put the largest piece of non-recurring state general revenue funds in LIP 3, therefore LIP 3 takes the largest hit. Tony Carvalho pointed out that Table 1 and 2 are showing only reductions in LIP payments. Mr. Carvalho wanted to clarify the point that the total of the non-recurring for just LIP payments was $51 million. Mr. Carvalho noted that the decisions of the LIP program were also related to rebasing and we must coordinate these two areas. Chairman Belcher agreed with this point and added that the original $65 million that the LIP Council recommended for SFY 2006-07 was to fund exemptions to ceilings. The total of the $81 million was designated by the legislature in the following method; $51 million allocated for LIP payments (safety-net, LIP1, and LIP3), with the remaining $30 million to be used to fund the Medicaid Trend Adjustment restorations, for designated providers, and to supplement funding for exemptions to ceilings. The $51 million plus the $30 million represent the total $81 million of non-recurring. Tony Carvalho asked to walk through a specific example using just one hospital as an example to more clearly understand the adjustments being made. The hospital chosen as an example was All Children's Hospital and Chairman Belcher and Genevieve Carroll explained that the adjustment given to this hospital was from the base of the LIP Council recommendations for SFY 2006-07.

TABLE 3: LIP, DSH, AND EXEMPTION PAYMENTS BY PROVIDER, 2008-09, ADJUSTED FOR REMOVAL OF $81 MILLION IN NON-RECURRING

Table 3 represented the adjustments made for LIP, DSH, and exemptions. Chairman Belcher explained that of the additional $30 million in non-recurring state general revenue funds, roughly $12.5 million was used to fund the Medicaid Trend Adjustment. Using July 2007 hospital rates, Table 3 provided the total adjusted Special LIP (safety net), total adjusted LIP 1, LIP 2, and adjusted LIP 3, estimated SFY 2008-09 DSH payments, and the total provider exemption costs (based on July 1, 2007 rates).

TABLE 4: SFY 2007-08 GENERAL APPROPRIATIONS ACT VERSUS SFY 2007-08 GENERAL APPROPRIATIONS ACT LESS THE $51 MILLION IN NON-RECURRING

Table 4 was a comparison of LIP appropriations for 2007-08 with and without the $51 million of non-recurring. Chairman Belcher pointed out that Table 4 did not include rebasing (exemption) costs, it was strictly LIP payments made in 2007-08 compared to LIP payments projected for 2008-09. The purpose of this comparison was to highlight the impact of the removal of the $51 million in non-recurring. Hugh Greene asked to see a grand total of all categories of adjustments and Chairman Belcher responded that the upcoming Table 5 would capture that detail.

TABLE 5: SUMMARY OF LIP, DSH, AND EXEMPTIONS IGTS NET OF PROJECTED PAYMENTS FOR 2008-2009 WITH REMOVAL OF ALL NON-RECURRING FUNDS

Table 5 combined the LIP payments and the exemption costs. Tony Carvalho noted that the loss of the $81 million meant that the exemptions to ceiling were not going to be funded adequately and therefore is not completely funded. Chairman Belcher reminded the LIP Council that the total LIP annual amount is $1 billion and according the Table 5, the total of the LIP payments was $885 million dollars. Therefore there would be unspent LIP funds on the table after the adjustment of $51 million.

TABLE 6: STATE FISCAL YEAR 2008-2009 IGTS

Table 6 displayed the total intergovernmental transfers (IGTs) for SFY 2008-09. Chairman Belcher explained that this spreadsheet included the note that uncommitted IGTS for exemptions will be utilized for trauma rate reductions limited to 1% by the special legislative session 2007-C. The $11.1 million of uncommitted IGT for SFY 2007-08 was not an IGT surplus.

Finally, the LIP Council reviewed a detailed analysis of the cost of the exemptions to ceilings that compared the difference in these costs using January 2007 rates and July 2007 rates. The difference in the costs using these two rate semesters was attributed to three factors:

a. Updated cost reporting data that reflected lower costs overall;
b. Utilization was down; and
c. Inflation was down.

Chairman Belcher explained that the General Appropriations Act is now the base point for starting the estimating conferences that begin this week. Tony Carvalho noted that there is a 1.37% increase in the state share of the FMAP rate. This amounts to a $130 million dollar increase in state funds. Tony Carvalho asked for a breakout of the effects of the increase in the state share of the FMAP and the loss of used to fund exemptions. Tony Carvalho asked if the Council could review a model of the average percentage of the proportional rebasing reduction by hospital (calculate the percent of state general revenue Medicaid reimbursement compared to the hospitals calculated costs). Chairman Belcher agreed to this and noted this model had been done before and was helpful to see by the LIP Council.

Lewis Seifert asked what data years were used for the exemptions and Genevieve Carroll noted that it was the average of 2001, 2002, and 2003 audited DSH data.

Chairman Belcher noted that Mike Marks had submitted a request for a specific data model to be run and agreed that this would be reviewed at the November 28, 2007, LIP Council meeting. Dwight Chenette discussed opportunities in the Health Care District of Palm Beach County where they could possibly maximize funding. At Chairman Belcher's request, Mr. Chenette agreed to draft up his proposal and discuss the detail during the November 28, 2007, LIP Council meeting.

VIII. Discussion of Alternatives for FY 2008-09

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Chairman Belcher asked for all modeling requests to be made to the Agency staff as soon as possible due to the length of time it takes to complete the modeling analysis. Chairman Belcher reminded the Council that we are looking for roughly $70 million in additional IGTs or state funding to fund LIP and exemptions to the July 2007 level. Chairman Belcher promised the LIP Council members that we would send out a cleaned up version of the models reviewed during this meeting. Paul Rosenburg asked if there are currently any models dealing with the 3% and the 1% rate cut. Chairman Belcher stated that there are currently no models showing the effect of the rate cuts mandated during the special session. Tony Carvalho asked for a model detailing the percentage of state sponsored hospital rates versus the total cost, otherwise known as rebased versus non-rebased cost. Chairman Belcher agreed to this model and explained that we could model this as the money spent for LIP, rebasing and DSH compared to the same money spent without the $81 million in non-recurring . Tony Carvalho noted that in the modeling review, it is helpful to start with the big, major parts of the overall reimbursement policy and work downward toward specific changes in the detail.

Dwight Chenette asked if the Letter of Agreement need to be received by a specific date and Genevieve Carroll said they really need to be in by October. Mrs. Carroll explained that the LIP distributions are contingent on the receipt of the funding (agreed to in the Letters of Agreement (LOA)), therefore timely receipt of executed LOAs are very important.

Chairman Belcher summarized the meeting with the following requests and promises:

a. The LIP Council would like to review the impact of IGTs that the property tax referendum will have on the special taxing districts. This impact should focus on the balance forward and the utilization issue;
b. Ideas and modeling requests for allocation policies sent to the Agency as soon as possible;
c. A cleaned up set of tables that were reviewed during the meeting would be sent to the LIP Council members;
d. Mike Marks' specific data modeling request;
e. Dwight Chenette would draft up a LIP proposal;
f. Tony Carvalho asked for a model showing rebased cost versus non-rebased cost;
g. Paul Rosenburg wanted to see the impact of the rate reductions imposed during the special legislative session.

IX. Meeting Adjourned

The next meeting the LIP Council will be held on November 28, 2007 at the Tampa Airport Aviation Authority Board Room.

With no additional discussion items brought before the Chairman, the meeting was adjourned

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Paul Belcher Date
LIP Council Chairman