



Low Income Pool **DRAFT**

Recommendations on the Financing and the Distribution of Funds for the Low-Income Pool, Disproportionate Share Hospital Program and Adjustments to Hospital Outpatient and Inpatient Rates for FY 2010-2011

January 8, 2010

General Issues

- Predecessor programs of the LIP program were driven by policy that directed the available funds to ***hospitals*** that provided Medicaid services to the uninsured or underinsured population.
- The Medicaid Reform Waiver of 2006 clearly broadened the policy and intent for the uses of the reimbursement dollars under LIP to include other healthcare providers (and programs) beyond hospitals, but gave the State the opportunity to define how the funds would be distributed in light of the expanded intent.

General Issues

- The State's Reimbursement and Funding Methodology (approved by CMS) narrowed the policy of the waiver somewhat to again slightly favor hospitals, but is not specific and therefore affords multiple interpretations of how funds can be distributed.
- Rising health care costs, increasing numbers of Medicaid uninsured and underinsured patients, and the allowance of increased participation of entities other than hospitals in LIP and related programs cause there to be a greater need for reimbursement funding than is available.

General Issues

- Decreasing General Revenue dollars and greater dependency on local tax dollars to draw down the federal match causes there to be less money available for distribution in the proportional allocation.
- The amount of money put forward to fund exemptions limits the amount of money available for the distribution of LIP.
- Council members report that most entities that receive recurring funds from the LIP and related programs have incorporated the funds into their base budgets and would be severely impacted by any sudden removal or reduction of these dollars.

General Issues

- Use of DSH data to determine the qualifying criteria for exemptions and the use of FHURS data to determine the criteria for the proportional allocation in LIP appear to be appropriate.
- The “allocation factor” is controversial because it is a negotiated rate that is not data driven and is recommended by Council members with the controlling interest on the Council.
- Special specific appropriations created by past legislative action funded issues which may no longer be consistent with the policies and intent of the LIP program.
- These special appropriations are recurring and are not reevaluated with any periodicity.

LIP Program Overall Assessment

- Given current policy, intent and membership of the LIP Council the LIP program is operating within the bounds of its charter.
- Current policy is not specific and therefore creates opportunity for disagreement and perceived inequities in how funds are distributed.
- The potential for inequities to exist are greatest in the area of Special LIP and the allocation factor.
- Demand for funds exceeds supply of funds.
- The Council has taken clear steps to expand the number of hospitals, other entities and programs that are eligible to receive funds under the LIP distribution.

LIP Program Overall Assessment

- Migration to any new model/methodology may have significant impacts that are unknown and require further study.
- Reductions to the allocation factor will have the direct impact of reducing the services provided to the Medicaid uninsured or underinsured populations in some counties.
- A new model could be implemented for the final year of the LIP distribution, but absent a complete impact analysis and significant changes in the methodology to a more data driven process, changes such as a simple reduction to the allocation factor or percent reduction in Special LIP would be arbitrary.
- Without impact analyzes, reductions decisions would be uninformed decisions.

LIP Program Overall Assessment

- Policy changes, proviso or legislation will be required to implement a model/methodology that is likely to be deemed fair and equitable.
- Reliance on local funds in place of State provided General Revenue restricts the ability to achieve the maximum benefit of payments authorized through LIP and related programs.

Recommendations

- Migration to any new model/methodology should be gradual to minimize the impact on institutions that have become dependent on LIP funds.
- The Special LIP distributions should be reviewed (as a Legislative Interim Project) to determine if the original purpose or the *current uses* of the appropriation are consistent with the policies and goals of the current LIP Program.
- Under the current methodology, any Special LIP funds that become available via a review should be made available for broader distribution through the proportional share distribution.

Recommendations

- Recommendations on the allocation factor
- Recommendations regarding Council mechanics and processes
- Other