

Blog Post

Uncertainty Surrounds Low Income Pool (LIP) Funding

August 18, 2017

The Centers for Medicare and Medicaid Services (CMS), in an August 3, 2017 letter to Florida's Medicaid Director, approved a five-year extension of the State's 1115 demonstration project, the Managed Medical Assistance Program (MMA). As part of this extension, CMS approved low-income pool (LIP) funding of approximately \$1.5 billion annually. The LIP was created in 2005 to support hospitals, county health departments (CHD), and federally qualified health centers (FQHC) that provide charity care for the uninsured or underinsured. LIP has both state and federal funding sources. State funding is provided almost entirely through Intergovernmental Transfers (IGT) between counties, taxing districts, municipalities, and qualified institutions on behalf of those providers that receive funds from the LIP.

In light of the State's most recent cuts to hospital rates, and the increasing charity care levels being recognized by certain providers, the \$1.5 billion funding approval has been lauded as a welcome relief to the financial burdens currently being experienced. Such celebration, however, may prove short-lived, as the terms and conditions under which the approval was granted may result in lower funding than the \$1.5 billion announced.

Fundamental obstacles to full receipt of the LIP allocation rest with the Special Terms and Conditions (STC) required by CMS as part of the

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approval. An express point of contention recently raised by FQHCs focuses on alternate payment arrangement language that requires the funds that would be allocated from the LIP must first flow through the MMA managed care organizations before receipt by these providers. This essentially eliminates supplemental wrap-around payments by the state. At the State's August 16th public hearing on LIP, various representatives of FQHCs and other community service providers expressed concern with this payment arrangement. They noted that historically, payments by managed care organizations have been problematic, citing excessive rates of denials, and credentialing issues as evidence for such. It was suggested that absent change, FQHCs may not contribute an estimated \$17 million to the state funding of the LIP, which would significantly diminish the overall \$1.5 billion that might otherwise be made available.

Other difficulties expressed with regard to the STCs include questions regarding stated deadlines for participation and release of funds, as well as a perceived lack of incentive for IGTs to be put forth by local government sources. Under previous LIP models, IGTs would be contributed as match for federal funding by local governments for public hospitals and other LIP beneficiaries. The local governments would ultimately be reimbursed in full for their contribution along with additional funding from the federal match. The increased funding would then be distributed to approved providers under an agreed upon formula set forth by the State. In recent years, however, the guaranteed return for local government contribution is no longer a certainty. As such, many of the historic sources of IGTs may now be hesitant to participate as they have in prior years.

Further complicating the issue is the aggressive timeline set forth by the 2017 General Appropriations Act for the 2017-18 LIP program. Deadlines for submission of LIP agreements and

funds to the Agency for Health Care Administration (AHCA) are as follows:

- October 1, 2017: Executed LOAs must be submitted to AHCA
- TBD: Budget amendment to approve LIP model
- October 31, 2017: IGT funds are due to AHCA

Absent an extension of time for the above, certain IGT funding sources may be unable to coordinate a timely response to the required deadlines. Should this occur, AHCA may be forced to submit a somewhat smaller state match with a resulting reduction of the federal funds received by the State. Alternatively, the required deadlines might be modified so as to allow funding sources additional time for response. This, however, would necessarily require consideration and action by the State's legislature and still may not guarantee full participation from available funding sources.

Akerman is pleased to be able to offer this information to you, and stands willing to discuss the matter further should you need additional information. For specific questions or concerns, please feel free to contact the author.

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