



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

SENATOR DON GAETZ

President
1st District

April 17, 2014

The Honorable Senator Bill Nelson
United States Senate
716 Hart Senate Office Building
Washington, D.C. 20510-0905

Dear Senator Nelson:

Thank you for your recent letter in which you suggested that the Centers for Medicare and Medicaid Services (CMS) is ready and willing to work with Florida on a flexible Medicaid expansion plan and suggested the use of intergovernmental transfers (IGTs) as a means of financing the state share of cost for covering more people in this public program. The purpose of this letter is to advise you of the steps we in the Senate have already taken to pursue opportunities for flexibility and to call your attention to the concerns raised by the U.S. Department of Health and Human Services about the Florida's continued reliance on IGTs.

As you may know, the Florida Senate developed and passed a bill in 2013 that would have created a premium assistance plan as a way to expand coverage. Subsequent to that action, we appealed to Secretary Sebelius for greater flexibility as a solution to the concerns that prevented an agreement within the Senate and between the House and Senate on this important issue. Her response reiterated the previously issued rigid regulations. Now we are reaching out to Sylvia Burwell, the nominee to replace Secretary Sebelius, to ask her to reconsider several specific policies that block expansion in Florida and other states. We look forward to her reply as evidence of the ready-and-willing attitude you ascribe to CMS.

You may be aware that CMS recently approved an increase in the Low Income Pool (LIP) as a short-term arrangement enabling a transition to changes in state policy regarding the use of IGTs and the methods for enhancing hospital rates. However, the approval came with several concerns. Specifically, CMS called for significant reforms in the Florida Medicaid financing system to reduce or even eliminate the state's reliance on LIP payments beginning in 2015. Given this direction, the feasibility of financing an expansion of eligibility using IGTs is highly questionable.

REPLY TO:

- 409 The Capitol, 404 South Monroe Street, Tallahassee, FL 32399-1100 (850) 487-5229
- 4300 Legendary Drive, Suite 230, Destin, FL 32541 (850) 897-5747 FAX: (888) 263-2259
- 212 Senate Office Building, 404 South Monroe Street, Tallahassee, FL 32399-1100 (850) 487-5001
- 5230 West U.S. Highway 98, Administration Building, 2nd Floor, Panama City, FL 32401 (850) 747-5856

Senate's Website: www.flsenate.gov

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President Pro Tempore

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Despite the different acronyms, LIP and IGTs are inextricably linked. LIP provides the means for incentivizing contributions from local sources. Nearly three-quarters of all LIP payments are used to repay the contributors with an 8.5% return. IGTs contributed outside of LIP are used to finance higher hospital rates, an option that gives donors a 144% return. The recent outcry and drive for a higher LIP cap is an effort to preserve this extraordinary rate of return without subjecting the contributors to the need to be price and quality-competitive under managed care or the diffuse impact of systematic and statewide rate increases. Given the obvious sensitivity of local funding sources to changes in the current usurious arrangement, CMS' skepticism about continued reliance on such financing is certainly warranted. It is also evidence that the state could not count on these funds as the method to finance Medicaid expansion.

The prime focus should be on the lack of flexibility in the management and implementation of Medicaid in general and an expanded Medicaid program in particular. Federal micro-management is a greater obstacle to expansion than funding source. Your help in reducing the burden of federal Medicaid regulations—for example by creating an option for a block grant or shared risk model—would provide a meaningful contribution to enabling Florida to expand this coverage.

Respectfully,



Don Gaetz
President of the Florida Senate

Cc: Sylvia Burwell, Secretary-Designate, U.S. Department of Health and Human Services
The Honorable Rick Scott
The Honorable Will Weatherford
Florida Congressional Delegation