Parameters for LIP and IGTs

Problem Statement
Without federal approval for LIP payments, Medicaid payments to Florida hospitals will be reduced by $1.3 b or 15% of current levels.

• Hospital payments
  o Federal regulations require provider payment rates to be “adequate”.
  o State capitation rates must be “actuarially sound” enabling the managed care organization to pay providers at market-based rates.
  o Based on the Navigant study, Florida Medicaid payments to hospitals currently constitute, on average, just 49% of the costs for Medicaid and uncompensated care.
  o The pay to cost ratios range from a high of 55% (for 104 hospitals that contribute IGTs and receive related payments) to 22% of costs for 88 non-IGT hospitals.
  o The 104 IGT-hospitals account for 70% of Medicaid hospital claims.

• Net payments
  o 139 hospitals receive $1.6 B in net benefit from LIP/IGT related payments.
  o Nets range from $115,634 (Sacred Heart, Gulf Coast) to $270 M for Jackson Memorial
  o $679 m in state funds are needed to sustain these nets without IGTs.
  o If only 60% of the net benefits are preserved, $407 M in state funds are required.
  o 23 hospitals receive more than $15 M in net benefits; $497 M in state funds are required to sustain nets for these 23 hospitals.

• Payment methods
  o Claims-based payments are made either directly as fees for services (FFS) or through managed care organizations
  o Supplemental payments require a waiver; supplemental payments are the only way to ensure net benefits remain proportionate to prior payments.
  o Payments to providers made as part of an approved rate structure do not require a waiver.
  o States have considerable flexibility in setting provider rates; rates can be enhanced for all hospitals when the base is increased or for certain hospitals when facility adjusters are used.
  o Facility adjusters that increase the difference in payment levels for some hospitals can negatively affect use of that hospital in a managed care environment.

• Funding sources
  o Since 1986, a variety of policies have replaced state GR in hospital payments with funds from other sources; currently, state GR constitutes only 37% of the state share of Medicaid payments to hospitals.
  o IGTs are voluntary donations and their availability depends on incentives to the donors.
  o GR is only available depending on other state spending priorities.
  o Provider assessments (PMATF): could be used to replace IGTs or as a transition to more GR.

• Beneficiaries
  o Old LIP/IGT primarily benefits public hospitals
  o Senate LIP plan extends benefits (through increases in base DRG rates) to almost all hospitals
  o Amount of GR required to replace IGTs is lowered marginally by limiting number of beneficiaries or limiting degree of benefit