

## 2015 LIP Model Information

- Medicaid pays hospitals in two ways:
  - **RATES:** Reimbursements for specific services provided to specific patients either directly as fee-for-service payments or through managed care organizations;
  - **SUPPLEMENTAL PAYMENTS:** Lump-sum quarterly payments, through programs such as Low Income Pool (LIP), disproportionate share (DSH), or Graduate Medical Education (GME) payments.
- Historically, both these payment types have been funded with significant amounts of voluntary contributions known as intergovernmental transfers (IGTs).
- Based on the Navigant report, Medicaid payments to hospitals in FY 2012-13, including both rates and supplemental payments, amounted to 49 percent of hospital costs.
- In FY 2014-15, payments to hospitals that previously were distributed as rates in the fee-for-service system were moved into the LIP program:
  - Adding these funds increased LIP payments from \$1 billion to \$2.1 billion;
  - This change was permitted for one year during the transition to statewide managed care.
- In FY 2015-16, consistent with guidance from CMS, LIP is reduced to \$1 billion (includes local and federal) and Medicaid rate payments are increased with \$400 million in general revenue (which draws down \$600 million in federal Medicaid match).
- **FOUND IN TABLE #5**
  - **2014-2015 (Current Year) Budget:**
    - LIP payments \$2.16 billion, 133 hospitals
    - Total payments (LIP and Rates): \$2.9 billion, 139 hospitals
  - **2015 Senate Proposal Regular Session:**
    - LIP payments \$2.16 billion, 216 Hospitals
    - Total Payments (LIP and Rates), \$3.1 billion, 220 Hospitals
  - **2015 Special Session A Conference Report:**
    - LIP payments, \$1 billion, 134 Hospitals
    - Total Payments (LIP and Rates) \$2.16 billion, 215 Hospitals
- Conferees also agreed to spend \$50 million in nonrecurring general revenue to cover other items once funded through LIP. These items are sometimes referred to as “below the line” items and include Federally Qualified Health Centers (FQHCs), Poison Control, and Direct Primary Care, among others.
- \$204 million for medical schools is included in the LIP program.
- An additional \$100 million is funded outside of the LIP program for hospitals opening new residency slots as part of a graduate medical education (GME) program; this \$100 million is in addition to \$80 million in GME payments authorized during the current year.