LIP and IGT Basics

Low Income Pool (LIP) *Payment Method*	**Intergovernmental Transfers (IGTs)** *Financing Method*
Waiver required: • To make provider payments outside of capitation; • Waivers are not subject to specific federal rules; • Federal policies have been inconsistent over time and for different states; • No time limits on negotiations.	Federal requirements: • Must come from public sources; • Payments can't exceed costs; • No hold harmless provisions or practices.

Florida LIP structure:
• Used primarily to repay IGT donors;
• Policy silos:
  ○ Special LIP (six categories including rural, trauma, primary care, etc)
  ○ LIP 4 = financing silo (8.5% ROI)
  ○ LIP 6 = replacement for self-funded rates ($964 m)
  ○ LIP 7 = new silo in 2015 Senate plan
  ○ Provider Access Systems (PAS) = funding for health departments, FQHCs, etc. ($117 m)
  ○ Physician UPL = supplemental payments for medical schools ($204 m)
• Because LIP repays IGTs, these sources are also available to fund Disproportionate Share Hospital (DSH) and enhanced rates:
  ○ DSH funding = $239 m in hospital payments;
  ○ IGT funded rate enhancements = $797 m
	Local requirements:
	• Sources must be local taxes or other public revenue.
	• Fiduciary responsibilities to local taxpayers prohibit donations that do not yield a net benefit.

Without LIP supplemental payments
• Net benefits cannot be guaranteed to donors and without these guarantees, donations may not continue.
• Payments can only be made through rates;
  ○ Base rate increases benefit all hospitals;
  ○ Facility adjusters can be used to benefit selected hospitals.
• Differential rates drive patients to lower cost hospitals in a managed care environment.
	Without IGTs
	• Hospital payments are reduced by $1.3 b or 15% below current levels; hospital payments currently average 49% of costs.
	• Federal approval of hospital rates may be withheld if the rates are not "adequate".
	• Lower hospital rates reduce managed care capitation rates.
	• Below-market funding of hospital rates may cause capitation rates to fall below actuarially sound levels.
	• Continuation of statewide managed care depends on actuarially sound rates.

Spending Alternatives • Allow hospital payments to be reduced. • Maintain current levels with other funds. • Mitigate reductions with other funds.	Funding Alternatives • GR, through allocations and reprioritizations • Provider assessments