

Center for Medicaid and State Operations

JUN 30 2006

Mr. Thomas Arnold
Deputy Secretary for Medicaid
Florida Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, FL 32308

Dear Mr. Arnold:

I am pleased to inform you that as of July 1, 2006, the State of Florida is permitted to make expenditures from the Low Income Pool (LIP) in accordance with the Special Terms and Conditions (STCs) approved October 19, 2005. The authority to draw Federal financial participation for the LIP expenditures is contingent upon the State's submission of additional documentation to the Centers for Medicare & Medicaid Services (CMS) and CMS' approval of such documents.

The approved section 1115 demonstration, Florida Medicaid Reform, granted Florida the authority to create a LIP to support health care services to Medicaid, underinsured and uninsured populations. The availability of Federal matching funds for the LIP is contingent upon the State meeting all LIP Milestones. The Milestones include the submission of the source of non-Federal share used to access the LIP and a Reimbursement and Funding Methodology document defining State authorized expenditures from the LIP and entities eligible to receive reimbursement. As of June 30, 2006, the CMS has approved the source of non-Federal share.

Funds from the LIP may be used for health care expenditures that would be within the definition of medical assistance section 1905(a) of the Social Security Act. Health care expenditures may be incurred by the State, hospitals, clinics, or by other providers for uncompensated costs of medical services for the uninsured and may include Medicaid shortfall, premium payments, payments for provider access systems, and insurance products for such services provided to otherwise uninsured individuals, as agreed upon by the State and CMS. Expenditures cannot exceed cost and must be based upon the CMS-2552 cost report plus mutually agreed upon additional costs. We received and are reviewing the additional Reimbursement and Funding Methodology documentation that the State submitted on June 26, 2006. In order to address the requirements above, this documentation and subsequent submissions will need to address the following:

- The State's proposed plan for handling necessary changes to the Reimbursement and Funding Protocol document in response to the annual appropriations process, including the anticipated magnitude of funding level changes and the projected timeline for revisions, to insure approval by CMS;

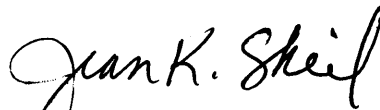
- Specific detail on how data will be gathered from cost reports for all categories of permissible expenditures and how the costs directly relate to expenditures made from the LIP;
- Specific detail on how distributions to providers will be made and reconciled;
- Explanation on how the LIP distribution will contribute to the setting of hospital reimbursement rates;
- Description of the process for identifying costs not reflected in the CMS-2552-96 hospital cost report; and
- A detailed description of the flow of LIP dollars beginning with the source of funds through payment to the provider. This description should include the detailed identification of all sources of the non-Federal share of LIP expenditures.

Please submit these items to Clarke Cagey, Director, Division of State Demonstrations and Waivers. Mr. Cagey's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, MD 21244-1850
Telephone: (410) 786-3135
Facsimile: (410) 786-8534
E-mail: Clarke.cagey@cms.hhs.gov

If you have questions regarding this correspondence, please contact me, at (410) 786-5647.

Sincerely,



Jean K. Sheil
Director
Family and Children's Health Programs

cc: Mr. Renard Murray, Associate Regional Administrator, Atlanta Regional office