



RICK SCOTT
GOVERNOR

ELIZABETH DUDEK
SECRETARY

July 17, 2015

Ms. Rosa M. Cozad, CEO
Amerigroup Florida, Inc.
4200 West Cypress Street
Suite 900
Tampa, FL 33607

Dear Ms. Cozad,

The purpose of the Statewide Medicaid Managed Care program is to provide high quality of care to Medicaid recipients while providing cost savings, cost stability, and cost predictability for Florida taxpayers.

In the fee for service environment, hospitals received the state-set Medicaid rate. Managed care has the ability to pay higher than what the state itself could pay, and historically has paid slightly higher than the posted Medicaid rate. In building the managed care rates for the 2015-2016 rate year, the Agency believes using a contracting factor for hospitals of roughly 105% or less of the Medicaid rate is reasonable.

However, the Agency has grave concerns that hospital contractual arrangements may have ballooned to unreasonable proportions and higher than what is allowed by state law. During the rate setting process earlier this year; several plans reported that the average hospital contracting rates in some regions exceed 120% of the posted Medicaid rate. If this is accurate, it is a clear violation of statutory requirements. Additionally, by setting higher contracting rates for hospitals than what is allowed for in state law, plans are likely jeopardizing their profitability, which could cause them to come back to the Agency for higher state rate payments – increasing the cost to state taxpayers for providing the same services.

Provisions of s. 409.975 (6), F.S. require hospital contracts valued at more than 120% of Medicaid to be approved by the Agency. These statutory provisions create a minimum hospital reimbursement level and a ceiling, only to be exceeded in limited circumstances if specifically approved by the Agency. To date, the Agency has not received a single request for review from either a hospital or health plan to determine if any contract over this ceiling is permissible. Please note that these statutory parameters should in no way be viewed as an understanding that average hospital payments under managed care should be at or near 120% of Medicaid. In fact, they should be around roughly 105% or less.

Key requirements of Florida's Statewide Medicaid Managed Care program are to provide improved patient care and achieve savings. An initial finding of the Commission on Healthcare and Hospital Funding created by Executive Order Number 15-99 is that hospital profits have trended upward over the past 10 years, with the exception of government-owned hospitals. It is clear that the Florida Legislature did not intend for the creation of MMA under Part IV of Chapter 409, F.S. to be a windfall for hospitals. In particular, rapidly ballooning hospital payment rates would make fee for service a more cost effective delivery system in regions where average



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contracting rates are significantly higher than the Medicaid rate. Excessive reimbursement levels in hospital contracts are unsustainable and cannot be maintained.

The Agency is requesting all hospitals receiving payments and health plans reimbursing hospital providers to certify none of your contractual arrangements are at or above 120% of the Medicaid fee schedule, meeting statutory requirements by August 1, 2015.

In the event you fail to submit the requested certification, the Agency will treat such failure as acknowledgement of noncompliance and will take appropriate action.

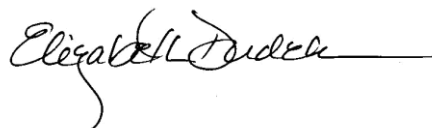
The statutory provisions requiring Agency approval of hospital contracts valued at more than 120% of Medicaid do not exempt hospital contracts executed prior to the implementation of the MMA program.

In fact, the statutory provisions envision that hospital payment rates would be negotiated and/or renegotiated after the contract between the Agency and the plan is executed.

Again, please note the Agency in no way understands 120% to be an acceptable average for hospital rates, as this would make the fee for service delivery model a more cost effective program for the tax payers and erode the very purpose of statewide managed care.

We look forward to your prompt response by August 1, 2015. Please send certifications to flhospitalcommission@ahca.myflorida.com.

Sincerely

A handwritten signature in black ink that reads "Elizabeth Dudek". The signature is written in a cursive style with a long horizontal line extending to the right.

Elizabeth Dudek
Secretary