



# Pinellas County

## Staff Report

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### **Subject:**

Ordinance enabling the County to impose and collect an annual non-ad valorem special assessment levied solely on property owned or leased by hospitals to fund the Hospital Directed Payment Program.

### **Recommended Action:**

Conduct a public hearing and adopt the proposed ordinance enabling the County to impose and collect an annual non-ad valorem special assessment levied solely on property owned or leased by non-public hospitals to fund the Hospital Directed Payment Program as match to improve Medicaid reimbursement levels.

- This ordinance establishes procedures for Pinellas County Hospitals to participate in the Hospital Directed Payment program and other supplemental Medicaid reimbursement programs established within the State of Florida to help reduce local Medicaid reimbursement gaps.
- Historically, hospitals receive approximately 61% of their Medicaid costs with Pinellas hospitals estimating close to \$200 million in unreimbursed costs. Closing the reimbursement gap will help to support hospital operations as they continue to maintain service levels for vulnerable citizens and work to attract top talent.
- The State of Florida has waived their 2023 participation deadline which prevented hospitals from proceeding in October 2023. This provides a brief window to allow for participation by June 1, 2024. Letters of support have been provided representing fifteen of the sixteen Pinellas hospitals with one abstaining by national policy.
- To participate, the County must adopt an ordinance to enable a non-ad valorem special assessment on non-public hospitals to use as local Medicaid match. The County would then authorize the assessment by adopting a resolution in May 2024 for collection of the funds as Intergovernmental Transfers to enhance federal Medicaid reimbursement levels.
- The funds collected from the special assessment will be neither a financial benefit nor a financial detriment to Pinellas County. The funds will not require appropriation and will not be a part of the Adopted Budget and will instead be passed through to the State Agency for Healthcare Administration.
- Pinellas County will receive an amount not to exceed \$150,000,000.00 from the assessment to offset costs for administration of the program. Appropriate budget amendments would follow adoption of the ordinance and resolution.

### **Strategic Plan:**

Ensure Public Health, Safety, and Welfare

2.1 Provide planning, coordination, prevention, and protective services to ensure a safe and secure community

Deliver First Class Services to the Public and Our Customers

5.2 Be responsible stewards of the public's resources

5.3 Ensure effective and efficient delivery of county services and support

5.4 Strive to exceed customer expectations

**Summary:**

Local hospitals experience a significant gap in Medicaid reimbursements when delivering critical services for low income, vulnerable residents. Typically, the hospitals receive approximately 61% of their Medicaid costs with Pinellas hospitals estimating close to \$200 million in unreimbursed costs each year.

To help close this reimbursement gap, the Center for Medicare and Medicaid Services (CMS) authorized the Hospital DPP allowing match funds to be used to draw down federal Medicaid dollars and enhance direct payments to hospitals through Managed Care Organizations (MCOs). While public hospitals are able to contribute IGTs directly to the state, for non-public hospitals, county governments must establish a Local Provider Participation Fund (LPPF) and levy a non-ad valorem assessment to send the IGTs to AHCA. Assessments must not exceed 6 percent (6%) of net patient revenue for the hospital and all non-public hospitals in the County must participate in the assessment.

The State of Florida has waived their 2023 participation deadline which prevented hospitals from proceeding in October 2023. This provides a brief window to allow for participation by June 1, 2023.

This ordinance establishes the procedures for the Hospital DPP. Following adoption of an ordinance, the County must adopt a resolution each year to reauthorize and set the assessment based upon updated utilization numbers provided by AHCA. Based on timing, the 2023 resolution would be presented for consideration at a May 2024 Board of County Commissioners meeting.

The County will invoice the hospitals and collect the assessments into the LPPF. Letters of Agreement (LOA) must then be executed for the IGTs with funds sent by June 1, 2024. The IGTs would be coordinated with the federal Medicaid drawdown to improve reimbursement levels.

Participation in the 2024 program would again be due by October 1, 2024 with a new resolution that would be planned for September 2024.

The County has been advised of hospital support for the ordinance to establish the Hospital DPP. We have received letters of support from fifteen of the sixteen participating hospitals in Pinellas County with one hospital abstaining from providing a letter due to national policy.

A public hearing was advertised for the April 23, 2024 Board meeting.

**Background Information:**

CMS updated Medicaid Managed Care regulations to create a new option for states to direct MCOs to pay providers according to specific rates or methods. This permitted the use of state directed payment arrangements. Each year, CMS reviews and approves state program.

Florida first authorized the Hospital DPP through the General Appropriations Act Senate Bill 2500 in

the 2021 Legislative Session. Currently 21 counties have implemented the Hospital DPP with local assessments collected for IGTs. Per CMS guidance and authorization, all non-public hospitals in a county must agree to participate in the assessment. For 2023, Pinellas County has received indication that all local hospitals are now interested in participating and support setting up the Hospital DPP ordinance.

An assessment for Medicaid region five (5) would include sixteen (16) Pinellas hospitals:

- AdventHealth North Pinellas
- Baycare Alliant Hospital
- Mease Countryside Hospital
- Mease Dunedin Hospital
- Morton Plant Hospital
- St. Anthony's Hospital
- Encompass Rehabilitation Hospital of Largo
- Largo Medical Center
- Largo Medical Center - Indian Rocks
- Northside Hospital
- Palms of Pasadena Hospital
- St. Petersburg General Hospital
- All Children's Hospital
- Kindred Hospital - Bay Area - St. Petersburg
- Bayfront Health - St. Petersburg
- Windmoor Healthcare of Clearwater

The local assessment will allow for full draw down of Medicaid funds for the region (Pinellas/Pasco) with approximately \$100 million in enhanced Medicaid reimbursements to local hospitals. Pasco hospitals would be indirect beneficiaries of the process since local hospitals will seek to maximize the drawdown.

Pinellas County would need to adopt a new resolution each year to allow for authorization and continuation of the Hospital DPP assessments.

**Fiscal Impact:**

This ordinance will establish program procedures that can enhance the Medicaid reimbursements for local non-public hospitals valued at close to \$100 million. It is expected that AHCA will reimburse local hospitals far more than they are assessed. Upon adoption of this ordinance, appropriate amendments will be proposed based on future assessment resolutions. An amount not to exceed \$150,000.00 will be available under the assessment process to offset county costs for administering the program. These are unbudgeted revenues and expenditures that will be appropriated following adoption of the ordinance and assessment resolution.

**Staff Member Responsible:**

Karen Yatchum, Director, Human Services

**Partners:**

Non-Public Hospitals

**Attachments:**

Final Proposed Ordinance  
Final Proposed Ordinance Redline Version  
Hospital Letters of Support  
Region 5 Provider List for Pinellas County  
Overview of Hospital Directed Payment Program  
CMS Guidance on State Directed Pay  
Florida Hospital Association Issue Brief March 2023