

November 3, 2020

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION
M E M O R A N D U M**

SUBJECT: Hospital and Healthcare Transformation – Fall Legislative Preview

Synopsis: This memo provides an update on the discussions taking place in the Illinois General Assembly on the process and criteria to be used under the Hospital and Healthcare Transformation program to allocate \$150 million in transformation funds. Legislation on this issue may be considered during the fall legislative session (November 17 – 19 and December 1 – 3, 2020). Theresa Eagleson, Director of the Department of Healthcare and Family Services (HFS), will present the Department’s recommendations to the Medicaid Legislative Work Group on November 4, 2020, and to the IHA Board of Trustees at its Board retreat on November 5, 2020. IHA has continued to advocate that in order to eliminate health disparities and achieve health equity, the State must invest in systemic health care transformation that will result in a more integrated and coordinated system of care, especially for our most vulnerable communities. See *IHA’s Position Paper* ([click here](#)).

Background:

The Hospital Assessment legislation enacted in the spring 2020 legislative session also established a new hospital and healthcare transformation program and designated \$150 million, annually, to be used for Medicaid payments for this purpose in the current State fiscal year. The legislation stated in part:

*“(B) Whereas there are communities in Illinois that suffer **significant health care disparities** aggravated by **social determinants of health** and a **lack of sufficiently allocated healthcare resources**, particularly **community-based services and preventative care**, there is established a new hospital and healthcare transformation program, which shall be supported by a transformation funding pool.” (P.A. 101-650, 305 ILCS 5/14-12(5-5(2)(B)).*

The \$150 million in transformation funds consist of new State General Revenue Funds (GRF) and federal matching funds; they are not financed by the hospital assessment tax. As envisioned, this \$150 million in transformation funds could be used to increase Medicaid payments for services that are provided to Medicaid beneficiaries, e.g., as new or increased directed payments for hospitals, FQHCs, or behavioral health providers participating in a transformation project. This \$150 million in transformation funds, is separate and apart from the \$200 million in capital funding for hospital and healthcare transformation funding established under the 2019 State Capital program. The intent was that these two pools of funds could be used together to achieve systemic transformation in the healthcare delivery system.

The 2020 Hospital Transformation legislation requires the General Assembly to authorize the criteria that HFS will use to allocate the \$150 million in transformation funding. Since

agreement on the criteria could not be reached in the spring of 2020, discussions on the details of the program have continued over the summer and fall.

Thus, the immediate question before the Illinois General Assembly in the fall Veto Session (November 17 -19 and December 1-3, 2020) is: How should HFS allocate the \$150 million in hospital and healthcare transformation funds?

Environmental Factors:

Over the last few months, the Medicaid Legislative Work Group has met regularly to listen to the perspectives of legislators, HFS, IHA and member hospitals, and other stakeholders on the best approach for allocating the \$150 million transformation funds. Key factors and perspectives that have emerged from those discussions include:

- COVID – 19: The growing surge in COVID-19 increases the pressure to place a priority on dedicating available resources to combat the pandemic, particularly for Black and Latinx communities that have been disproportionately impacted by the pandemic.
- Systemic racism and Health Disparities: There is a growing consensus that systemic racism and the long term disinvestment in communities of color are root causes of existing health disparities. Residents in one Chicago neighborhood have a 30-year lower life expectancy than those in a nearby neighborhood. In several Illinois counties, Black residents have a five to eight year shorter life expectancy than White residents. Individuals living in rural areas have higher incidences of chronic conditions, including diabetes, some cancers and obesity. Consequently, many argue that a priority should be placed on increasing funding to reduce health disparities in these communities.
- Several legislators of the Medicaid Legislative Work Group have expressed a strong desire to use the transformation funds to support comprehensive, systemic healthcare transformation that aims to reduce health disparities by establishing a more coordinated system of care that includes increasing access to primary and specialty services by promoting collaboration among hospitals, FQHCs and other providers, as well as promoting collaboration with community organizations to address the social determinants of health.
- Members of the Black and Latino caucuses on the Medicaid Legislative Work Group are deeply concerned by the proposed closure of Mercy Hospital in Chicago and the potential of other hospital closures in Black and Brown communities. Their constituents are worried about the impact of such closures on access to care (such as OB services) and the loss of jobs and economic activity. These legislators have stated that at least \$100 million of the \$150 million in transformation funds must be allocated to safety net hospitals. They believe that scarce transformation funds should not be allocated to financially healthy hospitals. If the Legislature cannot finalize an acceptable transformation proposal by the end of this calendar year, they intend to seek to have the transformation funds added to the assessment funding and distributed to safety-net hospitals and other hospitals serving a disproportionate percentage of Medicaid

patients. Additionally, a member of the Black caucus has called for a moratorium on the closure of hospitals or hospital services during the pandemic.

- Downstate legislators have argued that there are also needs in downstate communities for healthcare and hospital transformation funding, as many of their communities face similar challenges in accessing primary, specialty and behavioral health services, managing chronic conditions and addressing the same social determinants of health.
- HFS continues to express its support for a comprehensive transformation program and the strong desire to reduce health disparities and achieve health equity. Yet, as the steward of scarce Medicaid funds, HFS wants to see these funds spent effectively and efficiently. HFS is expected to present its recommendations to the Medicaid Legislative Work Group on November 4, 2020.
- SEIU would prioritize funding for safety net hospitals in the short term and pursue longer term changes to prioritize Medicaid payments, including the assessment payments, to take into account the health disparities and social determinants of health impacting a community. Other potential changes include revising the definition of safety net hospital so it is not primarily based on Medicaid inpatient utilization rate.

The Opportunity:

IHA has argued that the Hospital and Healthcare Transformation Program is an opportunity to invest in the health and well-being of every Illinoisan to enable them to reach their greatest potential. The Return on Investment for this program includes:

- Better health for individuals and communities, particularly low-income communities, by transforming their health care systems to meet the specific needs of their community.
- Using our healthcare dollars more efficiently by encouraging the provision of the right care, at the right time, in the right venue, along with services to address the social determinants of health.
- Good paying construction jobs in the short term, particularly in working class communities.
- Preserving good paying healthcare jobs in working class communities in the long term by transforming existing healthcare models to ones that will endure and continue to provide good healthcare jobs in the future.
- Strengthening hospitals that are the economic anchors of our communities. Illinois hospitals are major employers and large purchasers of goods and services. Together, they generate \$101.3 billion in state economic impact annually and produce 495,000 jobs. Healthy hospitals promote healthy communities. (See an IHA report, *Illinois Hospitals and Health Systems: Powerful Economic Drivers, 2020*).

IHA's Vision for Healthcare and Principles for Hospital and Healthcare Transformation:

IHA's position on transformation is rooted in IHA's vision for Illinois healthcare – that all individuals and communities have access to high-quality healthcare at the right time, in the right setting, in order to support each person's quest for optimum health. To achieve this vision of an Illinois healthcare system that eliminates health disparities and achieves health equity, IHA has urged the General Assembly to adopt legislation for hospital and healthcare transformation that promotes systemic change that advances the following principles:

- Is based on robust community input and needs assessment;
- Aims to reduce health disparities;
- Will improve access to primary, specialty or behavioral health services to prevent and treat chronic conditions, including by incentivizing the location of those services in the local community;
- Will result in a more coordinated system of care, including among hospitals and other healthcare and social service providers;
- Advances collaboration with community organizations to address the Social Factors of Health, including housing, food insecurity, transportation, and violence;
- Promotes a path to financial sustainability by providing enhanced funding for a defined time period of up to 5 years;
- Promotes accountability by including defined mileposts and metrics to measure progress, including measures to evaluate the impact on access, quality, or reduction in health disparities; and
- Promotes investment in diverse communities by promoting the recruitment and retention of employees from the local community and the use of local, minority owned businesses and suppliers.

Next Steps:

At this time, it is unclear how the General Assembly will proceed on the hospital and healthcare transformation funding issue. Given the surge in COVID-19, it is possible that the General Assembly's fall session could be delayed or cancelled. In any event, IHA will be reviewing the recommendations of HFS when they are released and the IHA Board of Trustees will be discussing them with HFS Director Theresa Eagleson on Thursday November 5, 2020. Based on the IHA Board's guidance, IHA will continue to advocate for a Hospital and Healthcare Transformation program that best advances IHA's vision for Illinois healthcare, and will update the membership accordingly.

Further Information:

- [Please contact IHA](#)