

May 17, 2021

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION  
STATE ADVOCACY ALERT**

**SUBJECT: IHA Alert: Urge Your State Legislators to Restore Medicaid Funding to Hospitals**

The Illinois General Assembly has only two weeks left in its Spring session. A key group of legislators, commonly referred to as the state budgeteers, is now working to draft and finalize the FY2022 state budget proposal to be considered by the General Assembly before the May 31 adjournment deadline.

One of IHA's major advocacy initiatives on behalf of the hospital community is the repeal of the SMART Act 3.5% Medicaid rate cut to hospitals enacted in 2012. With Illinois in a much improved fiscal condition, we strongly believe now is the time for the State to provide much needed additional funding to hospitals by restoring that funding. IHA estimates that the restoration of these funds could increase hospital Medicaid payments by as much as \$175 million next year.

**ACTION REQUESTED:** Contact your state Senator and Representative now and ask them to urge their legislative leaders and the state budgeteers to repeal the SMART Act cut to hospitals.

To look up your Senator and Representative and their Springfield office contact information, [click here](#) (fill in the zip code box under "Find Officials/Look up and contact your officials" on the right side of the webpage). You can also send an email message to your Senator and Representative by [clicking here](#).

See [IHA's fact sheet](#).

**Background**

Illinois hospitals have absorbed more than \$800 million in funding reductions resulting from the 3.5% Medicaid rate cut under the SMART Act (P.A. 97-689) passed by the General Assembly in 2012.

Since the enactment of the SMART Act, the State's revenue situation has improved. The State has seen its projected revenues increase this year by \$7 billion, primarily as the result of more than \$100 billion in federal COVID-19 relief funds pumped into the economy. In addition, the State continues to receive an enhanced federal Medicaid matching rate (FMAP) during the COVID-19 public health emergency.

**Suggested Talking Points**

- I ask that you urge your legislative leaders and the state budgeteers to repeal the SMART Act 3.5% Medicaid rate cut to hospitals in the FY2022 state budget.
- By repealing the SMART Act rate cut and restoring this funding to hospitals, the State would use that funding to leverage and maximize its federal Medicaid match and thereby

increase its investment in healthcare next year by \$175 million at a time when those resources are critically needed.

- Illinois hospitals have absorbed more than \$800 million in funding reductions resulting from the Medicaid rate cut under the SMART Act (P.A. 97-689) passed by the General Assembly in 2012.
- Since that time, the State's revenue situation has improved – the State has seen its projected revenues increase this year by \$7 billion, primarily as the result of more than \$100 billion in federal COVID-19 relief funds pumped into the economy. In addition, the State continues to receive an enhanced federal Medicaid matching rate (FMAP) during the COVID-19 public health emergency.
- Hospitals, the only major providers which have not had their SMART Act cuts repealed, continue to face serious financial challenges from substantial revenue losses and major additional costs incurred due to the COVID-19 pandemic, as well as other increased costs for salaries, benefits, drugs and technology.
- Since hospital base rates do not have an annual inflator, unlike other providers, hospitals continue to experience the full impact of the SMART Act rate cut year after year. Nursing homes and even Managed Care Organizations (MCOs) have seen their rates increased numerous times since the implementation of the SMART Act cuts.
- Through the hospital-funded Assessment Program, hospitals help the State leverage billions of dollars in federal funding for the Medicaid program, including support for non-hospital Medicaid providers. In fact, the Hospital Assessment tax is one of the largest revenue sources for the State.
- Despite this arrangement, the State still consistently ranks near the bottom in federal Medicaid support per beneficiary and has one of the lowest federal matching rates of any state in the nation.
- Over the years, the State's funding support of hospitals has eroded. Due to the Hospital Assessment Program and cuts in State GRF support, only about 17% of hospital Medicaid payments now come from GRF – 83% comes from the Hospital Assessment tax and Federal matching funds.
- The State should restore its commitment to the hospital patients insured by Medicaid.
- Please support your local hospitals -- ask your legislative leaders and the state budgeteers to repeal the SMART Act cuts to hospitals and restore this funding in the FY2022 state budget.

If you have any questions about this alert, please [contact IHA](#).