Statement of the
ILLINOIS HEALTH
AND HOSPITAL
ASSOCIATION

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Introduction

Good morning, Chairpersons Steans and Manar, Republican Spokespersons Righter and Rose, and members of the Senate Appropriations I and II Committees. I am David Gross, Senior Vice President, Government Relations, of the Illinois Health and Hospital Association.

On behalf of IHA’s more than 200 hospital and health system members across the state, thank you for the opportunity to comment on the state budget and the critical need to support healthcare, especially the Medicaid program.

I first want express my deep appreciation to the members of the General Assembly, and in particular, the members of the Legislative Medicaid Work Group – many of whom are on the Senate Appropriations Committees – for supporting and passing Senate Bill 1773 for the new, redesigned Hospital Assessment Program. With the direct involvement and significant contributions of hospitals and health systems, the new assessment program will bring billions of dollars in federal funding to the state to support the Medicaid program and the three million children, adults, seniors and the disabled who rely on the program for the quality healthcare they need. This includes approximately $200 million annually in new federal dollars at a time when the state is struggling to meet many important needs.

As several members of the Work Group noted, and we wholeheartedly agree, the bipartisan collaborative manner in which the group worked to build and achieve consensus is a model for the General Assembly to follow in addressing the critical and challenging issues facing our state, including the state budget. We urge the General Assembly to develop a comprehensive budget plan for FY2019 that fully supports healthcare – WITHOUT ANY CUTS TO MEDICAID.

While we all recognize that the state continues to face serious financial challenges, it is critical that the state preserve access to quality healthcare and enable hospitals and health systems to continue working to transform the Medicaid program and the healthcare delivery system. That’s why IHA and the hospital community advocated for a transformation program as part of
the redesigned Hospital Assessment Program to help ensure that safety net, critical access and other hospitals are meeting the needs of their communities, especially vulnerable communities.

In order to achieve these important goals, hospitals and health systems must have stable and predictable funding under the Medicaid program. So it is imperative that the General Assembly pass an FY2019 budget that does NOT include any Medicaid cuts – such cuts would undermine healthcare for patients and communities in every part of Illinois.

**Hospitals and Health Systems Doing Their Part, But Struggling to Survive**

Over the past several years, hospitals and health systems have been doing their part to support the state’s Medicaid program – through several Hospital Assessment Programs – and to transform healthcare delivery, in spite of many difficult issues and challenges.

Since 2010, Illinois hospitals and health systems have absorbed more than $1 billion in state Medicaid cuts, and more than $5 billion in federal Medicare cuts.

The state also has challenges addressing its backlog of unpaid bills – now projected to be in the range of $7 billion by the end of June. Many of these bills are for hospital services that have already been provided to Medicaid beneficiaries and state employees and retirees. Many of our hospitals are still waiting six months or more to be paid for old Medicaid and state employee group health bills.

While we greatly appreciate the action taken by the General Assembly last year to authorize an increase in the state’s general obligation debt to help reduce the backlog, the backlog remains incredibly high. Hospitals and health systems count on adequate and TIMELY payments to support innovative and cost-effective strategies to better serve their patients and communities.

Illinois already ranks at the bottom of the country in Medicaid spending and federal funding support for Medicaid. Illinois is 49th in Medicaid spending per beneficiary – substantially lower than every state in the Midwest, and lower than California, Florida, New York, Pennsylvania and Texas. And Illinois is 50th in federal funding support per Medicaid beneficiary – receiving less than every other state in the country.

As a result of these factors, many of our hospitals and health systems are financially fragile and struggling to survive. More than 40 percent of hospitals – in every area of the state – are losing money or have extremely thin margins.
Simply put, hospitals and health systems in Illinois cannot sustain any Medicaid cuts without jeopardizing patients’ access to care, including patients in urban communities and rural areas all over the state. Medicaid cuts will lead to major reductions and elimination of critically needed healthcare services, and many jobs would be lost. And the negative impact of such cuts are not just on Medicaid beneficiaries – when a hospital is forced to reduce or eliminate services, those services are lost for ALL patients, for everyone in the local community.

**Penny Wise, Pound Foolish to Make Medicaid Cuts**

Reducing Medicaid funding for hospitals and health systems does not make good fiscal sense.

Only 17 cents of each dollar in state Medicaid payments to hospitals come from State General Revenue Funds. The vast majority of those payments – 83 cents of each dollar – come from federal matching funds from hospital Medicaid spending and from the Hospital Assessment Program.

That point about the state’s reliance on federal Medicaid funding is very important – and relevant when considering the state’s support of the Medicaid program.

For every dollar that is cut from the state’s Medicaid program – the state is foregoing 60 cents in federal matching funds (this includes the higher federal match for Illinois’ 650-thousand ACA Medicaid expansion beneficiaries). Or put another way, cutting $1 in the state budget for Medicaid only saves 40 cents. Illinois should be maximizing federal funding support – just as we doing with the redesigned Hospital Assessment Program -- not reducing it.

With the state facing an opioid crisis that is killing nearly 2-thousand Illinoisans every year and devastating the lives of many other Illinoisans, we need EVERY tool and effort to combat this crisis, especially through the Medicaid program.

In 2016, opioid overdoses killed 1,946 people in Illinois, an **82 percent** increase compared to 2013. To put those numbers into perspective - opioid overdose deaths in Illinois are:

- **One-and-a-half times greater than** the number of homicides;
- **Almost twice** the number of fatal motor vehicle accidents; and
- **30 percent more** than the number of all gun-related deaths (including homicides, suicides, and accidental shootings)
Cutting the Medicaid program makes no sense from a public health perspective, especially as the state embarks on a new important initiative to address major behavioral health issues and substance use disorders through an 1115 Medicaid waiver.

As Governor Rauner pointed out earlier this week when he announced the federal government’s approval of the state’s 1115 waiver, this effort is “one the most significant developments in the history of Illinois’ health programs. For the first time here in Illinois, we are in a position to devote massive integrated resources to the devastating effects – personal and societal – of behavioral health problems.”

The approved waiver specifically includes efforts for prevention and better outcomes in treatment and recovery to address the state’s opioid crisis -- including new pilot programs: a Residential and Inpatient Treatment for Individuals with Substance Use Disorder (SUD) Pilot, and an SUD Case Management Pilot. And the state is pursuing initiatives in the Medicaid program, outside of the waiver, such as Medication-Assisted Treatment (MAT).

It is absolutely vital that we continue to support and maintain these important efforts in the Medicaid program to deal with opioid addictions and the damage they cause to people and communities.

**Conclusion**

Now is the time for the State to maintain its support for the health and well-being of its residents and for the continued viability of the hospital community as critical health providers – and as major employers and economic engines that generate nearly half a million jobs and more than $95 billion in annual economic activity for local communities and the state.

IHA and the hospital community look forward to continuing our partnership with the General Assembly to support the state’s healthcare delivery system. We share the same goal – to ensure the health and well-being of all Illinoisans – including our most vulnerable residents – and to make sure that the Medicaid program is viable and sustainable.

Thank you again for the opportunity to provide comments. I would be happy to answer any questions.