IHA Summary: Governor’s FY2022 Budget Proposal

Executive Summary
The Governor’s FY2022 introduced budget proposal includes $41.588 billion in General Revenue spending, supported by a $41.708 billion revenue estimate, representing a largely flat spending proposal as compared to FY2021. The introduced budget reallocates $645.7 million in General Revenue Funds (GRF), which in the past, would have been appropriated to Healthcare and Family Services (HFS) to fund Medicaid services. The reallocation assumes that the enhanced federal Medicaid funding authorized by the Families First Coronavirus Response Act (FFCRA) and Coronavirus Aid, Relief, and Economic Security (CARES) Act will continue through December 2021, replacing the reduced GRF funding to the Medicaid program. This, along with a number of other proposed spending reductions and tax regulation modifications designed to enhance revenue, provide a budget proposal that does not include a proposed income tax increase.

Medicaid Bottom Line: The proposed FY2022 budget does not contain program eligibility reduction, service or rate cuts. HFS Director Theresa Eagleson stated during the annual multi-agency Health and Human Services budget briefing that, “While HFS will be challenged with operational cuts in FY ‘22, this proposal includes NO reductions to eligibility or providers.” A condition of the continued receipt of the enhanced federal match requires states to abide by a Maintenance of Effort regarding Medicaid programs as long as the public health emergency continues.

Governor’s Budget Address
On February 17, 2021, Governor Pritzker presented his FY2022 budget proposal for the fiscal year beginning July 1, 2021. During his address, which served as a combined State of the State and FY2022 budget speech, the Governor spent much of the time recounting the events of the past year dealing with the COVID-19 pandemic. The Governor addressed the pressures that the pandemic has placed on the Illinois economy and the state budget. He briefly referenced that this FY2022 budget proposal is not what he had in mind when he presented last year’s budget address, while also briefly acknowledging potential opportunities resulting from the change in federal administrations. The Governor also reiterated his desire to expand broadband coverage statewide, noting the importance of expanding the use of telehealth during the COVID-19 pandemic.

The Governor’s budget proposes closure of numerous corporate tax loopholes, reductions in agency appropriations, hiring freezes and reallocation of General Revenue Funds, which currently are being replaced by enhanced federal Medicaid funding. In addition, the Governor’s budget asserts no reliance on anticipated federal COVID-19 relief, and proposes that any additional federal funding that may occur should instead, be used to reduce the state’s growing multi-billion dollar bill backlog.
This use of the temporary enhanced federal Medicaid funding will present a pressure next year when the enhanced match expires. The HFS GRF budget request will need to be increased in the FY2023 budget request, over the proposed FY2022 level, to maintain spending at the current proposed levels.

STATE FISCAL YEAR 2022 BUDGET AT-A-GLANCE

HEALTHCARE AND FAMILY SERVICES BUDGET
The Governor’s recommended appropriation level for the Department of Healthcare and Family Services (HFS) for FY2022 of $29.3 billion is a 1.86% reduction compared to the enacted FY2021 budget, excluding one-time COVID Federal Funds.

Medical Assistance FY2022 Budget Highlights
- Maintains HFS current commitments and building for the future;
- The HFS FY2022 proposal includes NO program cuts, eligibility or rate reductions;
- Includes $76.5 million for Medicaid rate increases associated with the required January 1, 2022 minimum wage rate increase;
- HFS believes the requested appropriation levels assumes no diminishment in current payment cycles.

Medical Programs FY2022 Goals
- Broad customer-focused services to access high quality healthcare to advance physical, mental and financial well-being;
- Collaborate with providers and Managed Care Organization (MCO) partners to deliver more integrated, holistic health outcomes addressing social determinants of health, reducing health disparities and promoting racial equity;
• Implementing a multi-year Healthcare Transformation program, with $150 million annually targeted towards person-centered, community driven innovative healthcare collaborations in distressed communities, prioritizing safety-net and critical access hospitals;
• Maximize federal revenue; and
• Work with other agency partners to ensure customers who are eligible for medical assistance programs obtain and maintain access through the shared eligibility systems.

HUMAN SERVICES BUDGET
The FY2022 proposed budget for the Department of Human Services (DHS) is $8.4 billion and represents an increase of 11.3% over the estimated FY2021 spending estimates. DHS FY2022 budget highlights include:
• Increased funding to the Child Care Assistance Program ($400 million);
• Increased funds to the Home Services Program to address growing caseload and rate changes ($66.8 million);
• Eviction mitigation program, legal and case management assistance for individuals impacted by the COVID-19 Pandemic ($145 million)
• Reimbursement increases resulting from Jan. 1, 2022 minimum wage increase ($6.9 million).

CAPITAL BUDGET
The fiscal year 2022 recommended capital budget continues to include $200 million, through the Rebuild Illinois initiative, to the Capital Development Board (CDB), for the new Hospital and Healthcare Transformation Capital Investment Program. CDB will work in coordination with HFS to issue grants to hospitals and healthcare providers to renovate, rehabilitate and construct facilities to meet the needs of the demographics they serve. This program will help low-income communities with high numbers of Medicaid patients to ensure Illinoisans have access to the medical care they need.

RELATED RESOURCES
• Budget in Brief FY2022
• Governor’s Proposed FY2022 Budget Document
• Department of Healthcare and Family Services FY2022 Budget Briefing Document
• Department of Human Services FY2022 Budget Briefing Documents

NEXT STEPS
The budget now goes before the Illinois House and Senate where it will be reviewed and modified by various Appropriations committees, many of which will be held virtually. IHA staff will be reviewing the numerous budget initiatives and appropriations bills that have been introduced in both chambers of the General Assembly, and will provide members with additional information as the spring session continues. There will be opportunities for our members and other interested parties to express their concerns, viewpoints, and facts regarding the proposed budget.
This is only the beginning of what will be another challenging session to protect healthcare in the budget. Working with you and the entire hospital community, IHA will continue to emphasize with the Governor and the General Assembly the essential role of hospitals and health systems and their continued efforts to transform the Medicaid program and the healthcare delivery system in Illinois.

- We will need to continue to advocate to both the Governor and the members of the General Assembly of the need to collaborate to reach a sustainable budget that protects the already fragile healthcare delivery system.
- We will need to continue educating legislators of the value derived by the State from its long and beneficial partnership with the Illinois hospital community and our joint collaborative successes to maximize critical federal Medicaid funding.
- We will continue to emphasize to the General Assembly and Administration that the hospital community can sustain NO MORE CUTS.
- We will need to impress upon the Administration that we are at a critical juncture, and that now is the time to maintain the State’s investment in the health of its residents and support the continued viability of the hospital community as major employers and economic engines for the State.

**Member Advocacy Opportunities**

IHA will keep members updated on these and other legislative developments throughout the spring. It is essential that you engage in the process and contact your local legislators to urge them to support healthcare and oppose any Medicaid cuts to hospitals and health systems.

During the COVID-19 pandemic, IHA strongly encourages all members to invite their legislators to meet via a virtual visit. With the recent inauguration of the new 102nd General Assembly and the swearing in of numerous new members, it has never been more important for elected officials to hear from their hospital leaders.

To assist you in planning for and holding virtual visits with your legislators, IHA has developed “A Hospital/Health System Guide for Effective Virtual Legislative Visits”. The Guide includes: a sample virtual agenda; tips for a successful remote visit; hospital fact sheet template; sample invitation and follow-up letters; sample article or news release; and post-visit feedback form.

It’s important that lawmakers learn more about the high-quality technology and healthcare services you offer. Introduce them to members of your dedicated team and let them hear about the challenges and barriers you face in serving their constituents. Use this meeting to highlight healthcare transformation and to educate legislators on the complex issues facing your hospital and the ways you serve the community in their district.

If you have questions or comments, please contact IHA.