

SUPPORT HOSPITAL TRANSFORMATION CAPITAL PROGRAM: INVESTING FOR HEALTHY COMMUNITIES

Issue: The healthcare landscape is changing dramatically from an inpatient-based system to an outpatient-focused system. This means that hospital buildings constructed over the past century to provide inpatient care need to be modernized, and in some cases, repurposed to fit today's healthcare model. Consequently, hospitals must transform their facilities and operations to continue to deliver high quality, cost effective care through a coordinated system of care. However, for the 40 percent of Illinois hospitals that are operating in the red or on very thin margins, many of which predominantly serve Medicare and Medicaid beneficiaries, it is very difficult to secure the financing necessary to renew and modernize their facilities to meet the needs of their patients and communities.

IHA Position: To improve the health and well-being of every Illinoisan, the State must invest in its healthcare infrastructure. Illinois should enact the Hospital Transformation Capital Program and invest \$500 million in State capital funds in hospitals that need to renovate their aging facilities in order to transform to a coordinated, person-centered system of health and human services that will serve their communities in a financially sustainable manner.

The Return on Investment for the Hospital Transformation Capital Program includes:

- Transforming health care systems to meet community needs through a financially sustainable model will lead to better care, better health and lower costs.
- Controlling healthcare costs, by providing the facilities to offer 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 renewing and transforming their healthcare delivery systems to financially sustainable models.
- Strengthening hospitals that are the economic anchors of our communities – especially in low and moderate income communities. Illinois hospitals are major employers and large purchasers of goods and services. Together, they generate \$95.3 billion in state economic impact annually and produce 466,000 jobs. Healthy hospitals promote healthy communities.

State Capital Program Should Invest in Healthcare Infrastructure

(Over)

Background: The Hospital Transformation Capital Program (HTCP) would be administered by the Illinois Department of Healthcare and Family Services (HFS) pursuant to rules to be developed by HFS. The HTCP would authorize HFS to award capital grants on a competitive basis in order to facilitate a hospital's transformation to a financially sustainable delivery model.

The HTCP is intended to complement the hospital transformation program to be developed by HFS under Section 14-12(d-5) of the Public Aid Code, which was adopted in 2018. Under that provision, HFS is to develop a method to allocate an existing pool of Medicaid funds to assist hospitals in transforming their services and care models to better align with the needs of their communities. The capital funding under the HTCP could be used by HFS to further incentivize the hospital transformation contemplated under Section 14-12(d-5) of the Public Aid Code.

In developing the rules for the HTCP, the Department shall consider criteria such as:

- The proposed project's likely benefit in advancing the hospital's ability to transform to a financially sustainable delivery model.
- The proposed project's likely benefit in terms of improved patient safety, quality of care, access to care, coordination of care or efficiency.
- The relationship between the proposed project and the hospital's strategic or capital plan.
- The extent to which the project will result in a coordinated system of person centered care that involves partnerships with other stakeholders to address the social determinants of health, such as violence, housing, food insecurity, health behaviors, and transportation.
- The extent to which there is support from other healthcare providers (e.g., physicians, health clinics, behavioral health providers, other hospitals), social service organizations and other community organizations for the hospital's proposed project.
- The extent to which the project will attract funding from other sources and private investors, particularly for investment in low-income communities, for example by using federal and state tax incentives and programs such as Federal Opportunity Zones, New Market Tax Credits, Low-Income Housing Tax Credits, and Section 1332 Waiver Funding.
- The ability of the hospital to provide at least 10 percent of the cost of the project, or a justification of its inability to do so, as well as ongoing maintenance and support of the project.

To improve the health and well-being of every Illinoisan, the State must invest in its healthcare infrastructure. For hospitals that predominantly serve Medicare and Medicaid beneficiaries, State investment in their transformation is critical to preserving local access to health care in those communities.

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