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Illinois Hospital Leaders Urge Legislative Action on Needed Medicaid Managed Care Reforms

Springfield, IL – Hospital and health system leaders from across Illinois are urging the General Assembly to pass legislation on needed reforms to the state’s Medicaid managed care program before it adjourns May 31.

At a hearing of the Illinois Senate Special Committee on Oversight of Medicaid Managed Care Tuesday evening, the leaders testified that hospitals continue to face an overwhelming series of unnecessary administrative burdens, claim denials and long payment delays. They said these problems have persisted in the program for the past several years, jeopardizing access to care for low-income and vulnerable communities in urban and rural areas of the state and undermining the financial stability of hospitals, especially Safety Net and Critical Access Hospitals.

“To be blunt, the state’s Medicaid managed program is broken and must be fixed now,” said A.J. Wilhelmi, President and CEO of the Illinois Health and Hospital Association. “The reality is that the program is not delivering on the promise of enhanced care coordination – leading to better outcomes for Medicaid patients and lower costs.”

Wilhelmi and several hospital CEOs noted that initial MCO claim denial rates are still unacceptably high – 26 percent – resulting in long delays for reimbursement and substantially reduced payments to hospitals in the hundreds of millions of dollars for medically necessary services provided to Medicaid beneficiaries. Most of the denials are based on bureaucratic process and paperwork, not medical necessity.

“In our rural areas, the denial rate is shockingly much worse. It ranges an astounding 50 to 70 percent. This includes denials for medically necessary care, life-saving care, such as chemotherapy drugs,” said Mary Starmann-Harrison, Chair of the IHA Board of Trustees and President and CEO, Hospital Sisters Health System (HSBS), which has nine hospitals in Illinois. “This is contrasted with our experience in Wisconsin where we have six hospitals. Despite similar hospitals and serving similar communities, HSBS’ average denial rate is 5 percent in Wisconsin compared to 31 percent in Illinois.”

“We are not opposed to managed care. What we are opposed to is a broken managed care system that has presented safety net providers like us with serious financial challenges as a result of high percentages of improperly denied claims and uncertain payment schedules,” said Karen Teitelbaum, President and CEO, Sinai Health System, Chicago’s largest safety-net hospital system. “Obviously, these financial obstacles impact the ability of safety net hospitals to provide the services needed by our communities. Safety net hospitals must be paid promptly and regularly for the critical and medically necessary care we provide.”

“The Medicaid MCOs are routinely denying the same care that our other largest payer, Medicare, considers medically necessary. And when the MCOs do authorize services, they pay, on average, less than Medicare,” said George N. Miller, Jr., President and CEO of The Loretto Hospital in Chicago. “Our treating physicians do not know why some services are authorized and others are not because the MCOs’ medical decision-making criteria are not transparent. What other conclusion can we draw than the MCOs are making decisions in the best interest of their bottom lines instead of their members—the patients we serve?”

“When Illinois decided to greatly expand Medicaid managed care several years ago, one of the main goals was to increase care coordination,” said Martin Judd, President and CEO, AMITA Health Saints Mary and Elizabeth Medical Center in Chicago. “But that’s not happening, especially in behavioral health. It is not uncommon for an

MCO to provide a list of approved providers for post-acute care – only to find that no placement is available.” Judd cited examples of the absence of care coordination and the denial of medically necessary behavioral health services by Illinois MCOs:

- A seven-year-old girl with a major depressive disorder was denied coverage for 19 of 61 days of treatment because there was no foster care placement available; and
- A twenty-five-year-old man suffering from paranoid schizophrenia was denied 36 of 41 days due to no placement being available for his developmental disability.

“Most MCOs simply are not engaging in the critical opportunity to improve outcomes and better serve the most vulnerable patients in our state,” said Bill Santulli, Chief Operating Officer of Advocate Aurora Health and immediate past chair of IHA’s Board of Trustees. “Instead, they are using their resources to delay, to deny and to defend their poor business practices.”

A comprehensive legislative package of Medicaid managed care reform bills strongly backed by IHA and the hospital community has been introduced in the General Assembly to hold managed care organizations (MCOs) accountable to preserve and assure access to timely, quality healthcare for all Medicaid beneficiaries.

The package includes: Senate Bill 1697/House Bill 2715, concerning comprehensive reforms for Medicaid managed care organization fairness and accountability; Senate Bill 1807/House Bill 2814, concerning Safety Net and Critical Access Hospital MCO reforms; and Senate Bill 1703/House Bill 2730, concerning the right to a fair third-party review of improper Medicaid MCO denials.

See [IHA’s fact sheet](#).

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About IHA

The Illinois Health and Hospital Association, with offices in Chicago, Naperville, Springfield, and Washington, D.C., advocates for Illinois' more than 200 hospitals and nearly 50 health systems as they serve their patients and communities. IHA members provide a broad range of services—not just within their walls, but across the continuum of healthcare and in their communities. Reflecting the diversity of the state, IHA members consist of nonprofit, investor-owned and public hospitals in the following categories: community, safety net, rural, critical access, specialty, and teaching hospitals, including academic medical centers. For more information, see www.team-iha.org. Like IHA on [Facebook](#). Follow IHA on [Twitter](#).