Governor Signs SB1469: Critical Access Hospital Funding/Hospital Sales Tax Exemption

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STATE ADVOCACY UPDATE

Governor Signs SB1469: Healthcare Omnibus Bill – Includes Key Provisions on Critical Access Hospital Funding/Hospital Sales Tax Exemption

We are pleased to report that Governor J.B. Pritzker today signed Senate Bill 1469 (PA100-1181) at Ferrell Hospital in Eldorado. We greatly appreciate the Governor’s support of this critical legislation and the leadership of the bill's sponsors, House Majority Leader Greg Harris and Senator Heather Steans, and key Republican legislators Senator Dave Syverson and Representative Tom Demmer, who worked together on this bi-partisan effort. The Illinois General Assembly overwhelmingly passed the bill during the Veto Session last November (the Senate passed the bill 53-0; the House 107-0).

The new law includes technical corrections to address an implementation issue on Critical Access Hospital rates in the redesigned Hospital Assessment Program; a clarification to maintain nonprofit hospital sales tax exemptions; an extension of the rule submission deadline for the Hospital Transformation Program; and an extension of requirements concerning DCFS Youth-in-Care beyond medical necessity.

Here is a brief summary of the key provisions of PA100-1181:

**Hospital Assessment Program Technical Corrections**
It includes language that directs the Department of Healthcare and Family Services (HFS) to correct the Outpatient rates retroactively to July 1, 2018 for all Critical Access Hospitals (CAHs), and to prospectively adjust the rates for non-CAHs, to reflect the model authorized in the spring 2018 legislation for the redesigned Hospital Assessment Program. While verifying the work of the Department of Healthcare and Family Services to implement the redesigned assessment program, IHA staff identified an issue with the outpatient rates for Critical Access Hospitals – specifically that the July 1, 2018 rates released for CAHs did not accurately represent the proposed increases to the outpatient E-APG rates of reimbursement as intended by the 2018 Hospital Assessment Program update under Public Act 100-581.

IHA has been in regular contact with HFS, which is responsible for resetting the CAH rates in accordance with the legislation. HFS indicates it is working to quickly expedite the implementation of the corrected rates – including sending the corrected rates to the Medicaid Managed Care plans and directing them to make the proper adjustments – apply adjustments to retroactively correct all previously incorrectly paid claims, and work with the Comptroller's Office to expedite the release of funds to make the corrected payments. As soon as IHA has further information, we will inform members.

The new law also moves the assessment program's tax due date for hospitals from the 14th business day of the month to the 17th business day of the month. The new tax due date will align with the new MCO-Hospital Assessment Program (MCO-HAP) payment date, consistent with the time lag between the two dates in the previous assessment program. HFS supports this adjustment.

**Hospital Sales Tax Exemption**
The new law extends the sunset on nonprofit hospital sales tax exemptions to July 1, 2022, and retroactively validates any previous sales tax exemptions granted under the 2012 hospital property and sales tax exemption law. This assures hospitals that there is no interruption in the sales tax exemptions previously granted. Hospitals will still need to file annual affidavits (Form STAX-300-HC) with the Department of Revenue showing continued compliance with the sales tax exemption requirements.
Illinois sales tax statutes include a five-year “generic automatic sunset provision” affecting exemptions, credits, and deductions. Because the hospital sales tax exemptions enacted in the 2012 law did not include a specific sunset provision, the generic sunset provision resulted in a sunset date of June 14, 2017 – five years after the effective date of the 2012 law.

**Hospital Transformation Program**

The new law extends the deadline for the Department of Healthcare and Family Services to submit the final rule for the Hospital Transformation Program to March 31, 2019. The Hospital Assessment Program redesign legislation enacted last March required HFS to submit the rule by December 31, 2018.

**DCFS Youth-in-Care Beyond Medical Necessity**

The new law extends the requirement passed in the Spring 2018 legislative session for the Department of Children and Family Services (DCFS) to July 1, 2019 in order to implement a rate of reimbursement for free-standing psychiatric hospitals (i.e., Institutions for Mental Disease) which take care of children beyond medical necessity when DCFS cannot return the child to the home or DCFS has no viable placement other than the hospital. Previously, these hospitals would not be paid beyond medical necessity. The Spring 2018 legislative action required DCFS to develop a plan to move children after hospital stays are no longer medically necessary. When placement cannot be made, DCFS must reimburse the hospital.

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