

# ILLINOIS HOSPITAL ASSOCIATION 2010 STATE LEGISLATIVE ADVOCACY AGENDA



**Priorities: Protecting health care in the state budget;  
Helping Illinois meet new challenges**

## **HOSPITALS: ESSENTIAL TO HEALTH, ESSENTIAL TO ILLINOIS**

The Illinois hospital community recognizes the enormous financial challenges the State of Illinois faces this year. Behind the budget numbers are real people: millions of children, families and older adults who rely on health care and other state services that are at risk. We believe that the state must continue to provide the essential services that Illinois residents need and depend on.

The Illinois Hospital Association and the hospital community want to continue working with state leaders to find workable solutions that provide sufficient support to protect critical programs and services at a time – with the state facing an unemployment rate of 11% – when they are needed the most.

In his State of the State address, Governor Quinn emphasized the importance of creating and retaining jobs in Illinois, saying “the key to the economy in Illinois is for us to keep our human services, our education, and our health care top notch.” We agree. IHA will continue to emphasize how vital the collective strength of more than 200 hospitals and their 240,000 employees is to the economic well-being of Illinois. In some communities, health care is the only employer that has maintained or increased employment during this economic turndown. Hospitals are major economic drivers, and avoiding cuts to Medicaid preserves jobs, essential health care services, and access to quality care. A thriving, quality-focused health system is essential to a thriving state. What’s good for hospitals is good for the state and its economy.

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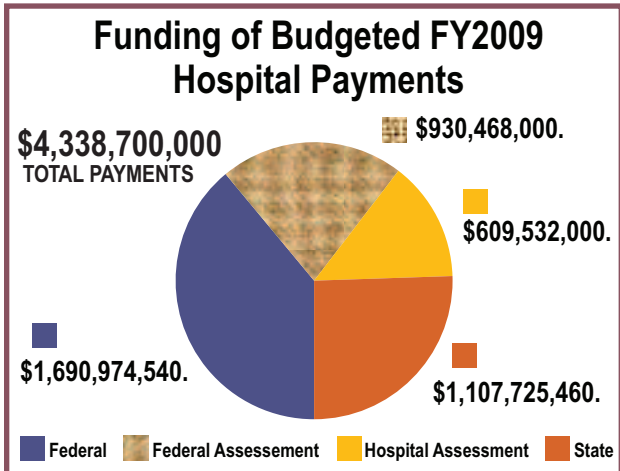
## PROTECTING MEDICAID

### Hospitals are Key Partners with the State

In recognition of the state's challenges in supporting the Medicaid program, Illinois hospitals have welcomed the opportunity to partner with the state to develop three Hospital Assessment Programs over the past six years to provide billions of dollars in new federal and hospital tax funds for the state's Medicaid program. In fact, when you look at the total \$4.3 billion in

### Extend and Make Permanent Illinois' Increased FMAP Rate

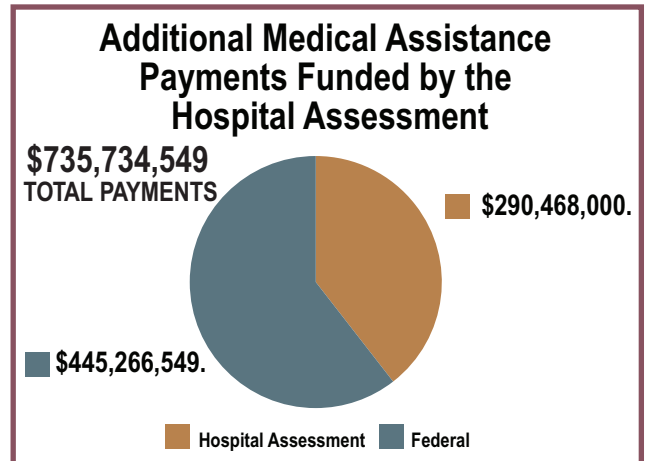
We urge the Governor and the General Assembly to push Congress for an extension of the state's higher Federal Medical Assistance Percentage (FMAP) beyond its scheduled expiration at the end of December 2010. Without the enhanced match under the stimulus law, Illinois receives a federal match of only 50% – the lowest FMAP rate, and lower than all our neighboring states. Although Illinois provides 4.1% of the nation's Medicaid services, it receives only 3.3% of federal Medicaid funds, a gap that costs the state more than \$1 billion a year. Each 1% increase in the state's FMAP rate means an additional \$130 million a year in federal Medicaid funds for Illinois at current spending levels. A permanent FMAP increase to 60% for Illinois could result in as much as an additional \$1.3 billion in federal Medicaid funds annually. Extending the state's FMAP rate would direct substantial additional federal funding to the Illinois Medicaid program, protect the state's health care delivery system and provide a critically needed boost to the state's economy.



Medicaid payments to hospitals in Illinois in fiscal year 2009, only about 25% or \$1.1 billion were from **state funding**. But **three-quarters** of Medicaid payments to hospitals were from **NON-state funding sources**: \$610 million paid by hospitals to the state for the

assessment program, which triggered a federal match of \$930 million, and \$1.69 billion in other federal funds.

Just as importantly, under the assessment program, hospitals contribute substantial tax funds to the state that generate federal matching funds for the state to use for other Medicaid needs, such as long-term care and developmental disability services. In the past fiscal year, with the state receiving enhanced matching funds under the economic stimulus law, the assessment program generated additional surplus funds for the state of approximately **\$735 million** for non-hospital Medicaid needs. It is a partnership that benefits everyone.



### OUR NEW WEB SITE: PROTECT ILLINOIS HEALTH CARE

To mobilize consumers and hospitals about the health care issues that affect them and give them the tools to contact their legislators, IHA is launching a new public advocacy web site, *Protect Illinois Health Care* ([www.protectIllinoishealthcare.org](http://www.protectIllinoishealthcare.org)).

## PROTECTING MEDICAID

### Ensure Medicaid Funding for the Next Fiscal Year

Medicaid inpatient base rates for hospitals in Illinois have been frozen since 1995, and the Medicaid program covers, on average, only 75% of hospital costs (without payments from the Hospital Assessment Program). Medicaid outpatient base rates for hospitals are now lower than they were in 1998. Our message is that adequate Medicaid funding not only improves the health and well-being of our state's children, families and communities, but also helps maintain our local and state economies. Hospitals are among the largest, more stable and most important employers in communities all over the state, with an economic impact on the state of about \$72 billion a year.

According to a study by the Center for Tax and Budget Accountability (CTBA), Medicaid funds resulted in an estimated \$46 billion in increased business activity in Illinois in 2009, generating about \$15.8 billion in wages and supporting 385,742 jobs across the state. According to CTBA, Medicaid spending "generates business activity throughout the medical industry, supports wages for health care workers, fosters consumer spending, boosts state tax revenue and produces general economic output." Our most vulnerable populations turn to hospitals for refuge and safety in crises, and the state must prevent health care in our communities from unraveling. Because Medicaid funding to hospitals translates directly into improved economic activity for the state, the state should be a reliable and reasonable partner to keep hospitals as major employers and health providers.

IHA will advocate aggressively for adequate Medicaid funding for the next fiscal year and for the state to find new or increased sources of revenue to support health care and other critical societal needs. We will look for every opportunity not only to protect Medicaid but also to enhance the program. In fact, we have already begun, with the House overwhelmingly approving Senate Bill 1425. This bill allows the state of Illinois to borrow \$250 million, enabling the state to begin infusing new federal Medicaid funds into its economy, providing \$155 million in new Medicaid stimulus payments for hospitals and helping pay down the backlog of health care bills. We will continue to urge the Governor and

the General Assembly to agree on the revenues that are needed to support the state budget to avert a crisis in the health care delivery system, especially in the current recession, with more and more Illinoisans losing their jobs and their health care coverage.

### Ward Off Precipitous Changes in the AABD Program

IHA is urging the General Assembly, the Department of Healthcare and Family Services, and the Governor's Office to move cautiously on a proposed new program to shift as many as 50,000 Medicaid beneficiaries of the Aged, Blind and Disabled (AABD) program as soon as July 1, 2010. It is critical that legislators hold more hearings, ask questions about this untested and unproven concept, and understand what will happen to these medically fragile people if their lives are rapidly turned over to HMOs. Moving too many people out of fee-for-service could reduce the upper payment limit and threaten the Hospital Assessment Program and the billions of dollars it brings to the state. IHA is proposing that other delivery models, such as Accountable Care Organizations, be tested and allowed to compete.

### Safeguard Critical Access Hospitals

Critical Access Hospitals (CAHs) are small rural community hospitals that are federally certified to receive cost-based Medicare and Medicaid reimbursement in order to support their fragile financial condition. Many states reimburse CAHs at cost for Medicaid claims, but Illinois does not. CAHs in Illinois receive on average only 41% of their Medicaid costs without the Hospital Assessment Program, and only 73% of costs even with the assessment program (excluding costs for those eligible for both Medicare and Medicaid). A pool of funds that provides \$7 million annually for Illinois CAHs was established in 2003 when there were only 21 CAHs in the state, but today more than twice as many CAHs are sharing that amount. IHA believes the state should reimburse CAHs for their Medicaid claims based on cost in order to maintain the health care safety net in rural Illinois.

Adequate Medicaid funding not only improves the well-being of our children, families and communities, but helps maintain our economy

## MENDING THE MENTAL HEALTH SYSTEM

We urge the General Assembly to restore \$9.4 million in annual CHIPS funding for hospitals' mental health services

The mental health system in Illinois, already broken and deteriorating, is now in crisis. Inpatient hospital psychiatric beds have decreased by more than 22% since 1990, and 75 Illinois counties now have no inpatient hospital psychiatric services at all. Yet tragically, according to the U.S. Center for Mental Health Services, more than 700,000 Illinois residents suffer from a severe mental illness. Rural communities are especially hard hit, as their hospitals are inundated with behavioral health patients for which they have few viable treatment options.

When the state closed several state-operated behavioral health facilities in 2003, an extreme need for services continued. The Community Hospital Inpatient Psychiatric Services (CHIPS) program was created to help meet the needs and provide services to otherwise unfunded behavioral health patients. Despite the continuing need for those services, the Department of Human Services/Division of Mental Health eliminated \$9.4 million in annual funding for the program. As a result, hospital emergency departments across the state have become the safety net for providing care and treatment as a stopgap to offset diminishing appropriate mental health care placements that had been the state's responsibility.

IHA's Behavioral Health Steering Committee has recommended broad changes in the organization and delivery of behavioral health services; in financing the delivery of services; in the outdated Illinois Mental Health and Developmental Disabilities Code; and in providing assistance for rural hospitals in training, technology and transportation. The top priority of the Steering Committee is restoration of \$9.4 million in annual CHIPS funding, the loss of which has

severely strained the resources of hospitals. IHA is actively working with the Division of Mental Health (DMH) and key stakeholders to streamline mental health hearing processes and develop

model forms for these hearings for state attorneys to use; IHA is also working with DMH and behavioral health advocates to improve ways to transfer patients to state-operated hospitals in order to reduce waiting times in hospital emergency departments.



## ADDRESSING THE IMPACT OF FEDERAL HEALTH REFORM ON ILLINOIS

IHA supports an expanded Medicaid program only if it does not place an unmanageable burden on Illinois. With more than 14% of Illinoisans uninsured, it is important that final legislation include opportunities for more individuals to be covered and preserve current employer-based coverage. However, if Medicaid eligibility is extended to 133% of poverty level, as proposed in the U.S. Senate bill, it could cost Illinois an additional \$2.6 billion over six years at a time when the state cannot support its current Medicaid program. IHA is strongly urging the Illinois Congressional Delegation to ensure that the federal government pays for all the additional costs of Medicaid expansion.

The U.S. House bill provides the same federal funding regardless of a state's current Medicaid eligibility level, whereas the Senate bill penalizes states like Illinois that have invested scarce state resources to expand access to health coverage.

With Illinois projected to continue facing multi-billion dollar budget deficits, the availability of federal funding will determine the extent to which our state will be able to maintain a quality health care system.

With the possibility of a major expansion of the Medicaid program, it is even more critical for Illinois that the underlying federal funding mechanism, its federal medical assistance percentage (FMAP) rate, be increased beyond 2010.

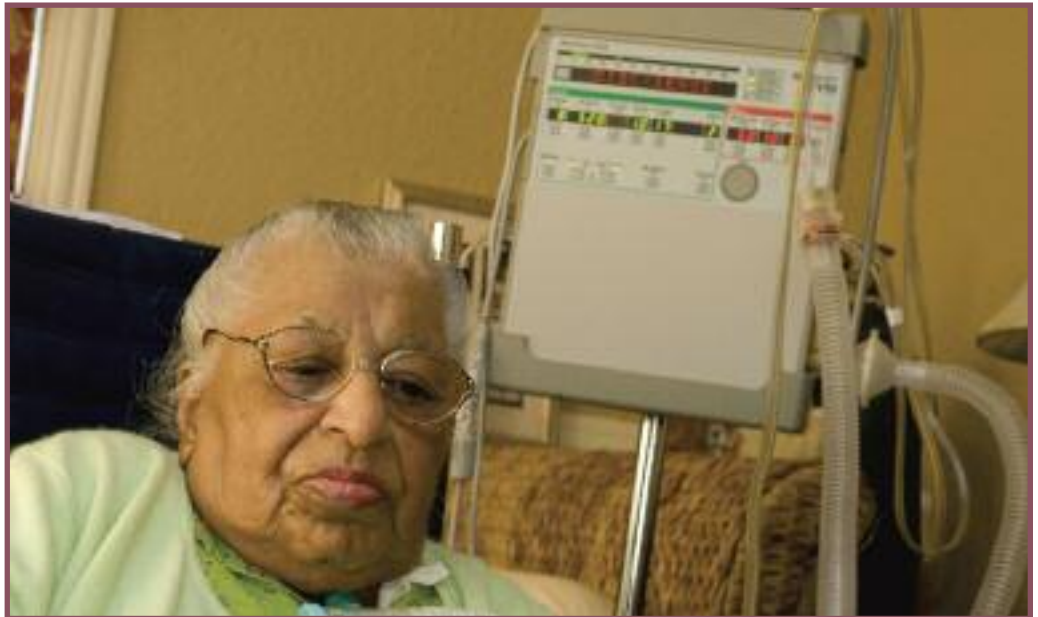
We are asking our state's leaders to push the Illinois Congressional Delegation for an extension of the state's higher federal Medicaid matching rate as well as for a permanent rate increase.

To protect Illinois disproportionate share hospitals (DSH), we reject the major cuts to DSH funding that are included in the U.S. Senate bill, until coverage expansions are fully implemented. To strengthen graduate medical education in Illinois, IHA is also advocating for

the redistribution of unused residency positions to remain within Illinois, with new residency positions added and provisions to address resident time spent in non-hospital settings.

With health care reform transforming the health care delivery system for decades to come, IHA and the hospital community must be ready to influence health care reform legislation, and help shape and determine how the legislation is actually implemented in Illinois. IHA has established a Health Reform Task Force charged with advising IHA on the impact of federal health reform on Illinois hospitals and the implementation implications of proposed and enacted reforms, as well as guiding the Association on setting advocacy priorities and helping its members to respond to reform.

With the potential of health care reform to transform the health care delivery system, hospitals are ready to help shape how the legislation is implemented in Illinois



## REFORMING MEDICAL LIABILITY

IHA  
will continue  
to work to  
reduce the  
excessive and  
inappropriate  
costs of Illinois'  
dysfunctional  
medical  
liability system

The Illinois Supreme Court's recent ruling in *Lebron v. Gottlieb* struck down the entire 2005 Illinois medical liability reform law, including caps on non-economic damages. In a summary, the Court held that the damage limitation violates the constitutional principle of separation of powers by interfering with the authority of the judicial branch to reduce excessive verdicts. Hospitals and physicians throughout Illinois were extremely disappointed to see these critically needed medical liability reforms stricken because they have been improving health care access throughout the state and restoring predictability to our broken medical liability system.

The Court in *Lebron* has rejected the clear will of the people of Illinois who called upon their legislators to enact fair and sensible landmark legislation. In 2005, the General Assembly went through an exhaustive process and determined that there was a real public health crisis driving physicians out of Illinois and making health care more expensive and less available. Accordingly, it enacted a bipartisan and comprehensive solution that included judicial reform, strengthened insurance regulation and improved physician discipline. The legislature found that the state was facing a very serious public health problem and specifically tailored its comprehensive legislative package to solve it.

The hospital community is deeply concerned that this decision will renew the malpractice lawsuit crisis and make it more difficult for Illinoisans to access or afford health care as liability costs for physicians and hospitals are driven to unsustainable levels. Hospitals across the state will again face even greater challenges recruiting and retaining physicians, especially specialists such as neurosurgeons and obstetricians, who were leaving Illinois during the height of the crisis. Such a crisis would affect every patient who needs health care services in every corner

of the state, not just those without coverage. People will suffer when they will not be able to access the health care services they need.

Despite this setback, IHA will continue to work with the Illinois General Assembly, the Governor, our Congressional Delegation, and other interested parties to reduce the excessive and inappropriate costs of Illinois' dysfunctional medical liability system. The excessive costs of medical liability litigation have driven health care providers to be excessively defensive in the practice of medicine. Defensive medicine plays a major role in the high cost of health care which



places coverage out of reach for more and more Illinoisans. Reform which would eliminate the need for defensive medicine would substantially reduce the cost of health care. All plausible forms of medical liability reform, such as arbitration, specialized courts and early settlement offer approaches, should be explored as part of the Illinois and federal health reform debate.

## LEADING QUALITY, PATIENT SAFETY AND TRANSPARENCY EFFORTS

Hospitals across Illinois work every day to improve quality and deliver the best care possible to the thousands of patients they treat each day. Hospitals are dedicated to patient safety and quality improvement and to providing meaningful information to consumers so they can make well-informed decisions about their health care. As part of their commitment to improving quality and patient safety, IHA and its hospitals worked with legislators to enact the Hospital Report Card Act, Consumer Guide to Health Care, and Adverse Health Care Events Reporting Law.

To help hospitals in sustaining their mission of quality care, IHA created the Quality Care Institute, an umbrella organization for all of IHA's quality and patient safety initiatives. Through education, quality measures, collaboratives and evidenced-based best practices, IHA assists hospitals in performance improvement, efficiency and compliance. IHA's Patient Safety Collaboratives have helped members implement innovative patient safety solutions. This year IHA was selected as part of The Johns Hopkins University's

nationally-recognized, multi-state "Stop Central Line Associated Blood Stream Infection" initiative. More than 50 hospitals are part of this program, which has been identified by Congress and health experts as a model for quality improvement and effective use of health care funds.

IHA strongly believes that adoption of the most current, nationally-recognized and evidence-based practices is the best way to improve medical care. Because advances in science and medicine occur rapidly, hospitals and health care professionals need the flexibility to implement best practices when significant new information becomes available. However, legislation or regulation – which are not designed to change easily – mandating specific clinical practices may be counterproductive and constraining, preventing hospitals and physicians from adopting the latest scientific advancements to provide the best patient care possible. We urge the General Assembly to resist enacting legislation that requires specific clinical practices.

Hospitals are dedicated to providing the highest quality patient care

## CONTINUING TO RESPOND TO THE CHARITY CARE DEBATE

Proposals for a specific charity care mandate and threats to remove the tax-exempt status of charitable hospitals could do great harm to the state's health care delivery system. Hospitals are not responsible for the inadequacies of the health care financing system and cannot be expected to solve those inadequacies.

In spite of mounting financial pressures and challenges, with increasing numbers of uninsured and poor patients and grossly inadequate levels of reimbursement by Medicaid and Medicare, Illinois hospitals have become more and more generous in providing charity care. Since 2005, our hospitals have increased their charity care by 68% and their overall community benefits by 27%. In our 2009 report, 109 Illinois hospitals provided \$4.661 billion in community benefits.

Illinois hospitals also have worked with the state to enact groundbreaking laws that make significant contributions to charity care and helping the uninsured, including the Community Benefits Act, the Fair Patient Billing Act and the Hospital Uninsured Patient Discount Act – the first of its kind in the nation. Even as Illinois

hospitals struggle to survive and serve during difficult economic times, they continue outreach efforts to make people aware of their charity care and financial assistance policies.



IHA strongly opposes any legislation that imposes charity care mandates or new tax burdens on hospitals, which would eventually force them to reduce services and increase health care costs, jeopardizing access to quality care. Solutions to the problems of inadequate coverage and access should be a shared responsibility, with all key stakeholders, including government, insurance companies, employers, and others working to develop broad-based approaches to funding and care for the medically underserved.

Even as Illinois hospitals struggle to survive and serve during difficult economic times, they are providing more charity care than ever before

## OPPOSING INCREASED FINANCIAL BURDENS ON HOSPITALS

Hospitals are regulated, at great expense, by a multitude of state, local and federal agencies

Hospitals already expend substantial financial resources to ensure compliance with the maze of state, federal and local laws, rules and ordinances. Millions of dollars are spent each year to ensure facilities of all ages are up to date on changing life and public safety issues such as fire sprinkler regulations. Hospitals also must comply with complex privacy and security issues such as HIPAA regulations and thousands of patient care mandates from accrediting and regulatory entities. We are concerned about any consideration of arbitrarily imposing new fees, fines or penalties on the hospital community, which would add an increased financial burden to hospitals, increase health care costs for patients and divert scarce resources from the actual delivery of health care.

Hospitals are regulated, at great expense, by a multitude of state and federal agencies. This includes regulation under a variety of statutory programs that the Illinois Department of Public Health administers. Some of the Department's regulations are outdated or duplicative, some violations are outdated and cause no patient harm, and some requirements are more important than others. These issues of efficiency of regulations should be addressed prior to adding any additional regulations or requirements.

Hospitals are already helping the state to meet its financial obligations. In the past fiscal year, the Hospital Assessment tax generated \$735 million in federal and other non-state funds for non-hospital Medicaid needs such as nursing homes and developmental disability services (and will generate a total of \$2.5 billion for non-hospital needs and more than \$3.2 billion for hospitals over five years – for a total of nearly \$6 billion in additional support for the Medicaid program).

In 2008, 109 hospitals reported \$420 million in charity care and \$4.241 billion in other benefits to serve the specific needs in their communities. Hospitals benefit their communities in numerous ways – not just with how much charity care they provide. That is why they are constantly engaged in identifying needs in their communities and addressing them through programs and services offered.

Illinois hospitals also have supported the enactment of landmark state laws to help the uninsured: The Fair Patient Billing Act in 2006 and the Hospital Uninsured Patient Discount Act in 2008 – both the first of their kind in the country. Hospitals are providing discounts to 135% of cost for patients with family incomes of 600% or less of the FPL in urban areas or 300% in rural areas and at Critical Access Hospitals. In addition, they cannot collect more than 25% of annual income from these patients. No other state has such generous legislation for the uninsured. Increasing fees and fines specifically targeting hospitals is unfair and will further challenge hospitals' ability to serve their patients.

At a time when the state is suffering a severe budget crisis, any efforts to expand the Illinois Department of Public Health by imposing punitive fines and increasing the cost of health care would not be seen as fiscally responsible. The federal government pays for on-site inspections it deems necessary and also pays the state to do random inspections (validation surveys).



IHA will continue to look at ways to reduce and streamline burdensome codes, improve compliance of meaningful regulations and encourage the Department to be more efficient, use better technology and work collaboratively with hospitals in a positive way to ensure the best quality care. We will strongly oppose any new fees, fines or penalties imposed on the hospital community as bad public policy.

## OPPOSING NURSE-PATIENT STAFFING RATIOS

With demographic data showing that serious health care workforce shortages are looming, hospitals must develop new work models and strategies to address them. IHA continues to oppose rigid, one-size-fits-all nurse-patient staffing ratios, which ignore the diversity of our hospitals and nursing skill sets, the availability



of technology and unique architecture of hospitals, along with the varying needs of patients. Staffing ratios will take away the flexibility of hospitals to make the best and most effective use of their workforce resources.

IHA and the hospital community are committed to continuing their many efforts and activities to enhance nurses' work environment, maintain the nurse supply and promote patient safety. IHA supported the 2008 Nurse Staffing by Patient Acuity law – the most recent in a

series of landmark legislation to support nurses and patient care needs in Illinois. The law assures bedside nurses a strong voice in the nurse staffing process; aligns staffing considerations based on patient needs and nursing resources; reinforces an evidence-based approach to nurse staffing; and recognizes the diverse staffing needs of different hospitals across the state. Previously, IHA supported the enactment of other key laws such as a prohibition on mandatory nurse overtime in hospitals and the Hospital Report Card Act to provide consumers with information about hospital nurse staffing and patient outcomes.

In California, where staffing ratios have been mandated since 2004, research shows that while the legislation has increased the use of registered nurses, the ratios have driven up costs and caused delays in patient care, but had no clear impact on the quality measures associated with nursing care that would indicate improved care for patients.

Mandatory nurse-patient staffing ratios have driven up costs but not improved quality

## ADDRESSING THE HEALTH CARE WORKFORCE SHORTAGE

Our hospitals are experiencing workforce shortages among a wide range of skilled professionals. Illinois needs a comprehensive supply and demand data base to determine the state's current and future health care workforce needs. For example, Illinois lacks information to correlate training of new physicians with the state's physician supply and retention efforts.

In collaboration with Northwestern University's Feinberg School of Medicine, the Illinois State Medical Society, and the Public Health Institute, IHA recently facilitated a pilot study of 31 residency programs graduating approximately 1,600 physicians. It showed that about half of respondents plan to leave the state for practice or further training, with no intention to return. This is the type of information we need to plan for projected physician shortages in our state. IHA is supporting House Joint Resolution 56 in the General Assembly, which calls for a Physician Workforce Institute to collect and analyze data on the supply, demand, and distribution of physicians across the state.

Addressing the shortage of health care faculty is another growing need as the current faculty workforce begins to retire and the supply of replacement faculty decreases. Many Illinois health care programs identify insufficient numbers of faculty as the major reason for turning away applicants for nursing, physical therapy and other health care professions. Although scattered efforts are underway to address the faculty shortages, no coordinated information exists on the overall status of health care faculty, where the gaps are greatest, which health care occupations are in most demand, and which workforce development initiatives are most effective. IHA is advocating for the establishment of a Center for Healthcare Workforce Studies to provide such information and for making the need for more health care professionals a priority in the state's workforce development efforts.



Illinois needs a coordinated effort to address health care workforce shortages

## ELECTING NEW LEADERSHIP

Working together, hospitals and the General Assembly can strengthen the health care system of Illinois

2010 is a key election year for Illinois. The Governor, other statewide constitutional officers, the entire State House, one-third of the State Senate, and the entire Illinois House delegation and one U.S. Senate seat in Washington are up for election or re-election in November. Voters and candidates want painless solutions to the state budget crisis, so many candidates are proposing simplistic and deeply flawed “solutions” such as mandatory HMO-managed care.

IHA knows there is no easy solution. We are working to raise the awareness of state officials to the fact that hospitals have been strong partners with the state in supporting the Medicaid program. Hospitals are also working with the state to make Medicaid more cost-efficient through the right kind of managed care – primary care case

management and disease management, whose savings go back to the state rather than to HMOs as profits. But moving Medicaid recipients into HMOs would mean less access for children, pregnant women, the elderly and disabled, plus the potential loss of billions of federal dollars generated for the state through the Hospital Assessment Program.



*Illinois hospitals welcome the opportunity to raise issues of serious concern about the health care system with our members of the General Assembly. We ask for their help in responding to the myriad challenges we face, including protecting the resources needed to ensure continued access to high-quality care for all Illinoisans. For many years, IHA and the hospital community have partnered with the General Assembly and the state on initiatives to strengthen the health care system for all who depend on it for care, and we look forward to continuing that partnership.*



**Illinois Hospital Association**

1151 East Warrenville Road, P.O. Box 3015, Naperville, Illinois 60566 • 630.276.5400 • [www.ihatoday.org](http://www.ihatoday.org)

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