



**TESTIMONY TO THE SENATE APPROPRIATIONS II COMMITTEE**

**NOVEMBER 20, 2007**

**HOWARD A. PETERS III, SENIOR VICE PRESIDENT**

**ILLINOIS HOSPITAL ASSOCIATION**

Good afternoon, Mr. Chairman and members of the Senate Appropriations Committee. I am Howard Peters, senior vice president of the Illinois Hospital Association, which represents 200 hospitals across the state. Thank you for this opportunity to talk to you about what the Hospital Assessment Program has meant and will continue to mean for our hospitals and for the health and welfare of every Illinois resident.

For the last four years, IHA and its member hospitals has worked intensely with the state to develop two Hospital Assessment Programs that would eventually bring Illinois more than \$2.2 billion in new federal Medicaid funds. Almost exactly one year ago (Nov. 21), when we finally received approval of the current three-year assessment program from the Centers for Medicare and Medicaid Services (CMS), the hospital community breathed a collective giant sigh of relief. That year we had an especially good reason to celebrate Thanksgiving. We are particularly grateful to Senator Schoenberg, who helped shepherd this complex process from the very beginning.

The current Illinois Hospital Assessment Program provides more than \$1.4 billion for hospitals and \$390 million for other needs, such as long-term care, developmental disability services and other Medicaid health care services. This represents a critically needed boost in funding for the state's health care delivery system. It substantially improves Medicaid reimbursements for hospital – reimbursements, which without this funding, covered on average only 62 percent of the costs of delivering care. The Hospital Assessment Program means that Illinois can maintain a more adequate level of support for the hospitals that provide essential, high quality health care, not only for Medicaid patients but for all Illinoisans who depend on hospitals.

For example, it means that our hospitals have been able to continue providing important high-cost life-saving services such as trauma care, neonatal intensive care, and care for burn victims. They have been better able to keep up with advances in medical technology, recruit and retain qualified nurses and doctors, and continue to improve patient safety.

Before discussing the development of a new Assessment Program, I need to remind you that there remains some unfinished business with respect to implementation of the current Assessment. Specifically, we continue to urge our legislative leaders to approve a new supplemental appropriation for the Hospital Assessment Program for Fiscal Year 2008. The matching federal funds of \$600 million intended for health care for the poor, the elderly, the developmentally disabled have already been approved by the federal government, but Illinois is still missing out on them. The state cannot make the payments that hospitals are counting on until it gets the spending authority through a supplemental appropriation. In fact, the first quarterly payment for FY2008 of \$300 million was due to be paid to hospitals in mid-September, but it has not been paid because we need the supplemental to be passed.

We appreciate the strong support of Senator Schoenberg, who has filed a supplemental appropriation bill for the assessment program, Senate Bill 1863. We respectfully urge you to help us by asking your leaders to make a supplemental appropriation for the assessment program a top priority so the state can receive the federal dollars it is entitled to and can meet its obligation to our hospitals and to the patients they serve.

Now, since the present Assessment Program will expire at the end of this fiscal year, we are once again working with our members and with the state to find appropriate ways to infuse these critically needed federal funds to our state's Medicaid program. In order for a new Assessment Program to be effective as of July 1, 2008, the plan must be submitted to CMS by June 30. That means that authorizing legislation should be enacted and signed by the Governor by May 30, so the Department of Healthcare and Family Services will have enough time to draft the necessary rules and related materials.

IHA has formed a member task force, consisting of a diverse group of over 30 hospital representatives from throughout the state, that has been meeting regularly to review and discuss the key criteria for a new Assessment Program and to review many potential models that staff and outside experts have developed for such a program. We have also initiated discussions with the Department of Health and Family Services related to the development of a new Assessment Program.

Developing the current Hospital Assessment Program and securing its approval was an extremely complex and difficult process. It required virtually unanimous agreement among the state and federal government officials involved, which required the overwhelming support of the hospitals of Illinois.

The CMS process to review and finally approve the current hospital assessment program was arduous and time consuming, taking more than a year – with extensive discussions and negotiations between the state and CMS. During that process, CMS made it clear to the state that while it would approve this program, it would not look favorably on a future proposal that relied on numerous adjustment payments. Consequently, we believe that simply trying to extend the current program would meet with stiff resistance from CMS.

For that reason alone, achieving a new Assessment Program will be more challenging. Additionally, given the current federal budget situation, there are tremendous pressures in Washington to greatly restrict the growth of Medicaid or even reduce federal funding support for the Medicaid program. This pressure has led CMS to propose various rules aimed at restricting mechanisms used by the states to attract federal Medicaid funds, such as provider taxes and intergovernmental transfers. For example, one CMS rule restricting intergovernmental transfers would, according to the Governor's office, cost certain Illinois public hospitals and the State over \$600 million. While Congress has passed a moratorium blocking this rule from taking effect, it expires in May of 2008. Consequently, we urge members of this committee and the General Assembly to ask their colleagues in the Illinois Congressional delegation to support and co-sponsor HR3533,

which would extend the moratorium on the CMS Medicaid reductions for another year, to May of 2009.

We have asked Sheree Kanner, a partner with the Washington D.C. office of Hogan and Hartson and former chief legal counsel of CMS to share with you her insights into how CMS might approach a new Assessment Program. As you may recall, Sheree and her firm have been part of the team of experts working with IHA on the last two Assessment programs.

It is in this environment that we are now working hard to develop a new Assessment program. While the environment is very challenging, we do believe that an acceptable assessment program can be developed. However, as with the two prior assessment programs, it requires the careful consideration of not only the federal regulatory requirements, but also the needs and circumstances of over 200 Illinois hospitals and the communities they serve. The program must be as efficient and streamlined as possible, fair to all hospitals throughout the state, focus on funding the services each patient needs, be supported by the hospital community, and meet the criteria of CMS.

IHA's task force that is working on this program hopes to complete its work in December, so that its recommendations can be considered by the IHA Board in January. After that meeting, we hope to be in a position to share with you in greater detail the recommendations of IHA for a new hospital assessment program.

On behalf of the patients and communities that depend on us, IHA and the hospitals of Illinois look forward to working with the General Assembly in the coming months to review, approve, and enact a new Hospital Assessment Program that will strengthen our health care delivery system.

Thank you. I would be happy to answer any questions.