

With state late, hospitals wait

Needy facilities caught in conflict

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SPRINGFIELD

Illinois' poorest hospitals can't pay some bills and have put safety projects on hold as they await their share of \$1.2 billion in funding caught up in state government infighting.

Mercy Hospital & Medical Center, a South Side facility that serves many poor patients, can't move forward on a \$4 million project to reduce overcrowding in its obstetrics unit, where new mothers are often forced to double up in inadequate rooms, according to Sister Sheila Lyne, hospital president and CEO.

Administrators also were unable to make a \$550,000 payment to a technology vendor two months ago because the hospital hasn't received the \$12.5 million it was supposed to get, Lyne said.

At Norwegian-American Hospital on the West Side, which steadily loses money because of its high number of Medicaid patients, administrators can't start work on a new sprinkler system, which will cost \$1.5 million and is urgently needed because the current system doesn't work in parts of the hospital.

"I'm not in danger of not being able to meet payroll on Friday, but all of our spending plans are on hold," said hospital president and CEO Michael O'Grady, who is also anxious to replace a CT scanner that frequently breaks down. "A lot of technology in this hospital is ancient and needs to be replaced. But right now I don't know when we are going to get the money for it."

A program aimed at helping poorer hospitals that treat high numbers of Medicaid patients and people without private insurance was to distribute the \$1.2 billion in March. But as that date passed, state lawmakers couldn't get together on a bill giving authority to distribute the funds.

Lawmakers didn't pass a bill authorizing the payments until May, and the governor didn't sign it until Aug. 13, half an hour before the bill would have automatically become law anyway.

By waiting so long, state officials had just 18 days to meet an Aug 31 deadline to complete work on a \$1.2 billion loan needed to cover the payments until the federal

government kicks in its share.

But like many important issues that rely on the cooperation of state officials these days, the loan deal collapsed last week amid finger-pointing between the governor's Office of Management and Budget and the office of Atty. Gen. Lisa Madigan.

As each side blames the other, nobody can say when the problem will be solved.

Justin DeJong, a spokesman for the governor's budget office, said the attorney general's staff failed to provide preliminary approval for the deal by Aug. 23, which is the deadline Blagojevich's advisers set for finishing paperwork on the transaction.

"We were very clear about the importance and immediacy of this transaction from the start. ... They [the attorney general's office] gave no indication that we could proceed with the sale and, unfortunately, as a result of their inaction, we had to cancel the deal," DeJong said.

Ann Spillane, chief of staff to the attorney general, said this was the first time a state official had ever asked the office to give preliminary approval to a loan, but she said the office made it clear they "didn't have any conceptual problems" with the deal. Spillane said the only real approval Blagojevich needed was Madigan's signature on the final loan documents, which she said were never provided for review.

"The governor's office botched the hospital assessment program from start to finish," Spillane said. "We were in the middle of trying to work with them to do this borrowing to help the hospitals in Illinois when they pulled the plug. It's not surprising that they are now searching for someone to blame."

The federal program doesn't require any state funding. Half of the money comes from an assessment on hospitals, and those funds are matched by the federal government.

The money is redistributed based on need. About 30 hospitals pay out more than they get back.

The program was supposed to deliver \$3.6 billion to hospitals over three years, with the first \$1.2 billion coming in 2006. But federal officials took a year reviewing the plan, which meant the first round of payments wasn't made until February. State officials, who borrowed \$900 million and used other available cash for those payments, planned to reuse the loan for the 2007 payments.

But the loan had to be repaid by June 7, a week before lawmakers sent the bill to Blagojevich for his signature. The only way to make the payments, according to Comptroller Dan Hynes, was to take out another loan, this time for the entire \$1.2 billion because just \$9 million was left in the fund.

However, state officials couldn't borrow the money until Blagojevich signed the bill,

which also included a controversial package of pay raises for lawmakers that the governor had previously opposed. Blagojevich didn't approve the legislation until just 30 minutes remained of his 60-day review period. The law required the \$1.2 billion in payments to be made by Aug. 31.

Spokeswomen for Hynes and Madigan said the governor's long review period made it much harder to borrow the \$1.2 billion in time. DeJong said the governor took so long to sign the bill because he wanted to give it a "careful review."

"While we had a tight time frame to pull this together, we were able to secure everyone's sign-off needed, including the comptroller, treasurer and ratings agencies, except the attorney general, who missed last week's deadline," DeJong said.

Sen. Jeff Schoenberg (D-Evanston), who spent last week trying to cobble together enough political support for the deal, said the program fell victim to "the lack of communication and mistrust that exists at the state Capitol."

He said it will take another vote of the legislature to make the 2007 payments unless "a miracle happens" and the state is able to borrow the \$1.2 billion within 10 days.