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May 17, 2011

The Honorable Richard J. Durbin
United States Senate
711 Hart Office Building
Washington, D.C. 20510

Dear Senator Durbin:

As Congress continues to debate current and future year proposals to balance the federal budget, we write to urge you to reject proposals to block grant the Medicaid program. The Illinois Hospital Association, and our more than 200 member hospitals and health systems believe that a financially sound and viable Medicaid program is vital to health delivery in the state. While we believe that improvements can be made to the Medicaid program, these improvements should not be made at the expense of quality health care delivery for Illinoisans.

As you know, Illinois already receives less than its fair share of Medicaid funds from the federal government. While providing care to 4.0 percent of the nation's Medicaid population, Illinois receives only 3.3 percent of total Medicaid funding, and the state has one of the lowest federal matching rates, 50.2 percent. Currently, 2.8 million low income Illinoisans rely on the Medicaid program, and this figure is growing.

As the cost of providing care to these beneficiaries grows, the federal government and the state share the risks – and the burdens – of increased utilization, pharmaceutical inflation and other cost drivers. Under the current financing system – although not generous or adequate to the state – the federal portion of the Medicaid program allows the program to provide coverage to all eligible individuals.

The Concurrent Budget Resolution for Fiscal Year 2012 approved by the House would convert Medicaid to a block grant beginning in 2013, and effectively freeze the federal allocation to the states at the current expenditure level. The effects of these proposals would be devastating to the state's ability to adequately fund the Medicaid program. According to a new analysis by the Kaiser Family Foundation's Commission on Medicaid and the Uninsured, in 2021, Illinois hospitals would receive 37 percent less – or \$4.8 billion – in payments if Medicaid is converted to a block grant.

Since federal block grant funding would not automatically adjust for bad economic times, when Medicaid enrollment costs exceed what the state has budgeted – as the federal share is capped, or reduced, the state will be left with few options: (1) cover those costs with additional state funds; (2) stop Medicaid enrollment; (3) reduce program eligibility; (4) eliminate covered services; (5) or reduce provider payments.

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As Illinois prepares to enroll additional Medicaid beneficiaries in accordance with the provisions of the Accountable Care Act, reliability in Medicaid financing is critical for the state to meet its budget obligations and program mandates. We, therefore, urge the Illinois Congressional delegation to oppose attempts to restructure the Medicaid program into a block grant, which would irreparably harm Illinois' health care providers and beneficiaries for the foreseeable future.

Sincerely,

Maryjane A. Wurth
President

Howard A. Peters III
Executive Vice President

cc: Sara Singleton
Binta Beard