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March 30, 2011

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

Dear Senator Durbin:

We write to urge that you not consider the restriction or elimination of states' use of Medicaid provider taxes. Given that the states will soon be taking on an additional 16 million Medicaid beneficiaries, in a time of austere state budgets, reliability in Medicaid financing is paramount so that states can meet their budget obligations and program goals.

Many states, including Illinois, employ some form of provider tax on hospitals, nursing homes or managed care organizations – as a means to obtain federal matching funds for their Medicaid programs. A *provider tax*, sometimes referred to as a *fee or assessment*, is a mandatory payment imposed on the providers by a state. These mechanisms are authorized by the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 (P.L. 102-234), and further changes to the law were enacted with provisions in the Deficit Reduction Act of 2005 (P.L. 109-171) and the Tax Relief and Health Care Act of 2006 (P.L. 109-432). In addition, federal regulations provide rules with which the states must comply in order to operate their provider taxes.

Currently, 2.8 million low income Illinoisans rely on the Medicaid program, and this figure is growing. The Illinois Hospital Association (IHA) is concerned that the recommendation to restrict the federal match will receive serious consideration in the current session of Congress as a means of reducing the federal deficit. This proposed change would be in addition to the \$14 billion in Medicaid Disproportionate Share Hospital (DSH) cuts contained in the Accountable Care Act.

While we recognize the need to control deficit spending in order to improve our long-term economic outlook, such a large reduction in Medicaid funding will be a burden too severe for Illinois – a state facing the second worst budget shortfall in the country. Without the provider assessment program, Medicaid would cover only 75% of the cost of caring for Illinois' most vulnerable recipients.

Improvements can be made to the Medicaid program and we must find a way to make the program more efficient while maintaining high quality health care for low-income Americans. IHA is working with its 200 hospitals and health systems throughout Illinois and with state government to implement reasonable short- and long-term strategies for the state's Medicaid system. Significant cuts to the program through the elimination of provider taxes will jeopardize achievement of these goals. We urge the Illinois

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Congressional delegation to oppose revisions to provider taxes that would adversely impact providers and beneficiaries alike.

For additional information, please feel free to contact either of us at 630-276-5476.

Sincerely,

Maryjane A. Wurth
President

Howard A. Peters III
Executive Vice President

cc: Sara Singleton
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