



**OFFICERS**

Chairman  
**Patrick Magoon**  
Chicago

Chair-Elect  
**Gary Kaatz**  
Rockford

Immediate Past Chairman  
**Harry Wolin**  
Havana

Treasurer  
**Connie Schroeder**  
Pittsfield

Secretary  
**Alan Channing**  
Chicago

President  
**Maryjane Wurth**  
Naperville

**TRUSTEES**

**Jeffrey Brickman**  
Joliet

**David Crane**  
Hinsdale

**Edgar Curtis**  
Springfield

**Randall Dauby**  
McLeansboro

**Steven Drucker**  
Chicago

**Michael Easley**  
Crystal Lake

**Mark Frey**  
Arlington Heights

**Dean Harrison**  
Chicago

**William Huff**  
DuQuoin

**Brian Leman**  
Berwyn

**James Leonard, M.D.**  
Urbana

**Barbara Martin**  
Waukegan

**Stephanie McCutcheon**  
Springfield

**Michael McManus**  
Centerville

**Nancy Newby**  
Nashville

**Keith Page**  
Maryville

**Kevin Poorten**  
DeKalb

**William Santulli**  
Oak Brook

**David Schertz**  
Rockford

**Rob Schmitt**  
Gibson City

**Joanne Smith, M.D.**  
Chicago

**Kelth Steffen**  
Peoria

**Paul Whelton, M.D.**  
Maywood

June 18, 2010

The Honorable Pat Quinn  
Governor of the State of Illinois  
207 Statehouse  
Springfield, IL 62706

**RE: House Bill 5765**

Dear Governor Quinn,

The Illinois Hospital Association respectfully asks you to sign **House Bill 5765**.

**HB 5765** is legislation that would require Critical Access Hospitals (CAHs) in Illinois to be reimbursed for Medicaid outpatient services based on cost. The legislation overwhelmingly passed both the Senate (50-2) and the House (114-0). Given your commitment to ensuring that all Illinoisans have access to accessible, quality health care, especially in rural and underserved areas, we urge you to approve this critically needed plan to assist 51 Critical Access Hospitals (CAHs) that form the foundation of the health care safety net for rural areas across the state.

Critical Access Hospitals (with 25 or fewer inpatient beds) provide a broad range of primary and emergency care and community services to medically vulnerable populations, particularly the elderly. Individuals 65 and older represent more than half of the patients who receive services in CAHs. These rural hospitals are at the forefront of health reform – providing integrated services in the right setting at lower costs with quality outcomes. Reimbursing Illinois' CAHs for their Medicaid claims based on cost would require a relatively small expenditure of additional state funds, but would have an enormous impact on rural health care in many communities across Illinois.

CAHs are the only hospitals in their communities, many miles from the nearest hospital, and thus serve large geographic regions of the state. In addition to providing essential medical services, they are major economic engines for their communities. In two-thirds of the rural counties in which CAHs are located, the hospital is among the three larger employers in the county. Collectively, Illinois CAHs contribute nearly \$800 million annually to their local economies through expenditures and payroll, according to a study conducted by Northern Illinois University.

The U.S. Centers for Medicare and Medicaid Services (CMS) has a provision in its regulations that allows Critical Access Hospitals to be reimbursed at cost for Medicaid claims, and many states are currently doing so. Illinois CAHs receive, on average, only 41% of Medicaid costs, without the Hospital Assessment Program. Even with the assessment program, the portion of Medicaid costs covered for CAHs is 73% on average.

A large percentage of CAHs' patients are Medicare and Medicaid patients. Consequently, CAHs have little ability to shift the shortfalls from these payers to other commercially insured patients and have limited bargaining power with commercial payers. In order for CAHs to be financially viable – especially now as the state works to recover from a deep recession – the Medicare and Medicaid programs need to cover their costs. This was the policy rationale for the establishment of the CAH program and why CMS permits states to easily adopt a Medicaid state plan amendment to pay CAHs at cost.

Therefore, the Illinois Hospital Association, on behalf of its 200 member hospitals and health systems, urges you to sign **HB5765** into law.

Sincerely,

Maryjane A. Wurth  
President  
Illinois Hospital Association

Howard A. Peters III  
Senior Vice President  
Illinois Hospital Association

cc: Jerome Stermer, Chief of Staff  
Michael Gelder, Senior Advisor on Health Policy  
Lindsay Anderson, Legislative Director