

MEDICAID AND HOSPITAL PAYMENT SYSTEM REFORM

HEALTHY HOSPITALS = HEALTHY COMMUNITIES

The Illinois Hospital Association supports the thoughtful and purposeful redesign of the Medicaid hospital payment system to provide access to quality health care efficiently and effectively.

Proposed Timeline for Key Payment System Reforms:

- Spring 2012:* Enact state legislation for an Enhanced Hospital Assessment Program to generate an additional \$40 million in assessment and federal funds for the State; file needed paperwork with Federal CMS.
- Now – 6-30-13:* Complete development and redesign of inpatient and outpatient payment systems. Run new system in parallel with current system to identify unintended consequences. Current Hospital Assessment and Supplemental payments remain at FY12 levels until 6-30-14.
- Spring 2013:* Adopt necessary legislation for new payment system; enact legislation for new Hospital Assessment Program (current program sunsets 6-30-14); file needed paperwork with federal CMS.
- 7-1-13 – 9-30-13:* Complete final modifications to base system.
- 10-1-13:* Begin implementation and payment via new system.
- 7-1-14:* Implement new Hospital Assessment Program.
- 7-1-15:* Begin final phase in of stable Supplemental payments held out of system into base system.
- 10-1-17:* Complete the transition to new system.

Rationale for Proposed Payment System Reform:

- Analysis of the proposed inpatient payment system is not yet completed; data to even begin analysis of the outpatient system has not yet been provided. Rushing to implement changes before they are fully analyzed and understood will likely result in unintended consequences, including increased spending liability for the State.
- A rational timeframe to test the new system will allow for adjustments and allow hospitals to prepare for the transition to the new system.
- Targeting Supplemental payments to hospitals with the greatest need preserves access to care while saving the State money.
- Keeping the Supplemental and Assessment payments separate from the new claims-based system, at least initially, provides stability and predictability to both hospitals and the State while insulating the State from increased liability resulting from increases in utilization and unanticipated outcomes. A dependable revenue stream is especially important to safety net hospitals and the services and jobs they provide during the transition period.

Payment System Reform Principles:

- Transparent and accountable, enacted by the General Assembly in statute.
- Predictable for the State and for hospitals.
- Independently verifiable projected impacts by both the hospitals and policy makers.
- Reasonable timeframe and mechanisms to transition to the new system.
- Encourage timely access to high quality care delivered cost effectively and efficiently through adequate and timely payment.
- Recognize and preserve the essential role of safety net hospitals and share in the societal costs incurred in serving the uninsured, providing specialty services, and investing in the necessary facilities, technology and human capital.
- Maximize the return of federal tax dollars to Illinois to support health care, jobs and the economy.

Hospital Payment System Reform will significantly impact access to quality health care, jobs and local economies in communities throughout Illinois. Such important changes require the active, prior approval of the General Assembly.