

MEDICAID AND THE STATE BUDGET

HEALTHY HOSPITALS = HEALTHY COMMUNITIES

Illinois hospitals have a proven track record of partnering with the General Assembly to find good solutions to tough problems. With continued pressure to contain Medicaid spending, it is essential that **we continue to work together to move Illinois forward and keep our health system strong.**

Enrollment growth, NOT hospital rates, is the cause of Medicaid spending growth. In 2001, the number of individuals eligible for Medicaid was **1.5 million**, compared to **2.7 million** in 2011, a **98%** increase.

Per member costs for the Illinois Medicaid program are low.

- Illinois' Medicaid spending per eligible of \$5,773 is the 44th among the 50 states and the District of Columbia and is below the national average of \$6,826.¹
- The average annual growth in per enrollee Medicaid spending by Illinois for 2004 – 2009 was 2.1% -- less than the national average of 2.3%.

Hospitals are the State's best Medicaid Partner:

- Hospitals pay a \$900 million per year assessment, that draws down \$900 million in federal matching funds. Hospitals are the fourth largest contributor of state revenue, bringing in more net revenue than the Lottery.
- **State general revenue funds account for only one-third of Medicaid payments to hospitals.**
- In 2011, hospitals agreed, for the 5th time, to freeze outlier payments, **saving the state \$100 million annually.**

Blunt cuts hurt access to care for everyone, not just Medicaid beneficiaries, cost jobs and stifle the state's economic recovery as hospitals – many of which are already struggling to survive – are forced to lay off staff or reduce or eliminate services, and defer purchases of new technology and facility renovations.

- Medicaid cuts only save \$1 state dollar for every \$2 dollars in cuts, due to the federal match.
- If Illinois cuts Medicaid state spending by \$500 million, it would result in the loss of more than 9,500 jobs and more than \$1.2 billion in economic activity. A \$1 billion cut would mean the loss of more than 19,000 Illinois jobs and more than \$2.4 billion in economic activity.

There are real alternatives to blunt Medicaid cuts that hospitals support:

- Enhance the Hospital Assessment Program which would generate \$20 million for the State (\$40 million with federal match);
- Enhance revenues by increasing cigarette taxes and taxing junk food and soda – use the revenues for Medicaid to maximize the federal match;
- Implement a reasonable readmissions policy to improve outcomes and lower costs;
- Implement provider-based care coordination initiatives to lower costs;
- Use revenues above projections to pay down Medicaid backlog (maximizes federal funding).

The General Assembly must maintain control over Medicaid rates and policy with decisions based on sound health care policy and access to care. Good informed decisions can enhance access, while poor decisions could lead to “health care deserts,” especially in rural and inner-city areas. Legislative control and oversight will foster collaboration and assure transparency and accountability.

¹ “Health Spending by State of Residence, 1991-2009”, 2011, Centers for Medicare & Medicaid Services, https://www.cms.gov/MMRR/Downloads/MMRR2011_001_04_A03.pdf