

Testimony of David Gross
Senior Vice President, Government Relations
Illinois Health and Hospital Association

Joint Illinois House Appropriations-Human Services, Human Services and
Health Care Availability & Accessibility Committees Hearing

Proposed Federal Medicaid Changes: Impact on Illinois

Room 114, Capitol Building
Springfield, IL

Thursday, March 16, 2017

Good morning, Chairperson Harris, Chairperson Gabel, Chairperson Flowers, Minority Spokespersons Bellock and Demmer and members of the House Appropriations-Human Services, Human Services, and Health Care Availability and Accessibility Committees.

I am David Gross, Senior Vice President, Government Relations of the Illinois Health and Hospital Association. I am joined by Joe Holler, Vice President, Finance, IHA, who will be available to answer any technical questions following my brief remarks.

On behalf of the over 200 hospital and 50 health system members of IHA, I want to thank you for the opportunity to present our concerns about proposed federal changes to Medicaid and their impact on Illinois.

Illinois hospitals and health systems are committed to advancing healthcare for all Illinoisans. Achieving this goal depends on our patients having meaningful and affordable health coverage. Of the more than one million Illinoisans who have obtained coverage through the Affordable Care Act (ACA), 650,000 are now covered under the ACA's Medicaid expansion.

The U.S. House of Representatives is now considering the American Health Care Act (AHCA), which would repeal major portions of the ACA and replace it with a new plan. Specifically, the bill makes two significant changes related to Medicaid: it reduces the federal match to the states for the expansion population as of January 1, 2020 (from 90% to 50% for Illinois), and it converts Medicaid to a capped funding structure – per capita caps.

IHA has serious concerns with the proposed legislation since it will result in the loss of coverage for hundreds of thousands of Illinoisans as well as significant Medicaid funding reductions for Illinois, seriously impacting the state's budget and economy. Lost coverage would be a major step backwards, with more uninsured people delaying or not seeking needed treatment, and as a last resort, going to the hospital ER, with worse outcomes, and higher costs for everyone.

IHA on Proposed Federal Medicaid Changes: Impact on Illinois

Page 2

Earlier this week, the Congressional Budget Office released its estimates on the cost and coverage impacts of the proposed legislation. The CBO numbers are sobering and troubling. An estimated 24 million Americans, including 14 million Medicaid beneficiaries, would lose their healthcare coverage by 2026, and federal Medicaid funding to the states would be drastically reduced by \$880 Billion over the next ten years.

The CBO also projects that more than two-thirds of current Medicaid expansion enrollees would NOT maintain continuous eligibility by the end of 2021, meaning states' federal matching rates for those enrollees would drop to their traditional lower rates.

Based on the CBO's numbers, conservatively, Illinois could be facing the loss of at least \$40 Billion in federal Medicaid funding over ten years -- at a time when the state is not well positioned to absorb the costs that would be shifted to the state.

[To give you a sense of the potential economic impact of the lost federal funding, Illinois now receives more than \$3.2 billion in federal funding annually for the Medicaid expansion population. IHA estimates without that funding, the state would sustain \$7.6 Billion to \$8.4 Billion in reduced economic activity, resulting in 55,250 to 60,750 lost jobs.]

Illinois now ranks 50th in the country in federal funding support per Medicaid beneficiary and has one of the lowest federal matching rates. *To illustrate the disparity between Illinois and surrounding states in current federal funding support, we are distributing a map to the committees showing how Illinois is already getting shortchanged under the current funding system.*

That means Illinois, which is a larger state with more Medicaid beneficiaries than Ohio, received \$4.6 Billion less in federal Medicaid funding than Ohio in Fiscal Year 2015.

Per capita caps as proposed in the House legislation would lock Illinois into low and insufficient federal funding levels, putting the state at a competitive disadvantage compared to other states for years to come.

With these drastic changes to Medicaid – the loss of enhanced federal funding for Medicaid expansion and the implementation of capped funding – the state would be forced to make difficult decisions to reduce Medicaid eligibility, covered services, and payments to providers. Such moves would jeopardize the health and well-being of many Illinoisans, as well as undermine the financial condition of many hospitals and their ability to serve their patients and communities.

More than 40% of Illinois hospitals are losing money (in the red) or have extremely thin operating margins. Hospitals would be in the difficult position of eliminating services, not hiring physicians and nurses, and delaying facility and technology improvements. This affects ALL patients' access to services.

IHA has been engaging with the Illinois Congressional delegation, expressing our serious concerns with the bill, and asking delegation members NOT to support it. We continue to urge Congress to ensure access to meaningful and affordable healthcare, and we look forward to working with all Members of Congress to achieve this goal. At this time, however, we are unable to support the American Health Care Act.