

**Testimony of A. J. Wilhelmi
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**Illinois House Executive Committee
Friday, May 22, 2020**

Support Senate Bill 2541, House Amendment 1

On behalf of the more than 200 hospital and nearly 40 health system members of the Illinois Health and Hospital Association (IHA), we support Senate Bill 2541, House Amendment 1, to authorize Phase 2 of the Hospital Assessment Program.

As a result of extensive deliberations over several months among the Legislative Medicaid Work Group, the Department of Healthcare and Family Services (HFS) and IHA, there is broad based consensus in support of the proposal on Phase 2 of the Hospital Assessment Program and related issues (“the proposed model”). If approved by the state and federal governments, this proposed model would take effect on July 1, 2020.

The proposed model strikes a reasonable balance and supports all communities as they pursue access to quality healthcare. It provides an estimated \$449 million annual net gain in total payments for Illinois hospitals including: \$249 million increase in Assessment and Non-Institutional Provider Services (NIPS) payments; \$150 million for hospital transformation; and \$50 million for hospital affiliated physician rate increases.

Key Components of the Hospital Assessment Proposal include:

- **\$3.82 billion in Medicaid payments** for hospital and physician services.
- Payments are financed by **\$1.65 billion assessment tax on Illinois hospitals** (a \$185 million increase over current) and **\$103 million in new General Revenue Funds (GRF)**.
- More of the Assessment funds are allocated based on current volume of services (47%), instead of being paid based on past volumes that do not change. **Over the next seven years, the funding will shift from fixed “pass-through” payments to “directed payments”, as required by federal regulation. This means the funds will increasingly “follow the patient” and be paid to hospitals based on the volume and acuity of the services they currently provide to Medicaid beneficiaries.**
- Nearly all health systems and independent hospitals have a projected net benefit

under the proposed Assessment model and NIPS payment conversion. The model also preserves access to care in vulnerable communities through added consideration for safety net hospitals, critical access hospitals and high Medicaid hospitals.

- The proposal includes **converting the outdated Non-Institutional Provider Services (NIPS)(e.g., labs, therapies) payment system to the hospital outpatient system (EAPG).**
- Under the proposed Assessment model, **\$150 million would be available to finance hospital transformation projects**, which is in addition to the \$200 million in capital funding authorized in the 2019 State Capital program to support hospital transformation. HFS has outlined a proposed framework that envisions a competitive program, where selected transformation projects would receive increased Medicaid payments for a set period of time – not to exceed 5 years. The General Assembly is to develop criteria for the allocation and disbursement of these funds. This funding would be provided to hospitals as they work with their communities to improve their health and well-being.
- The proposal includes **\$150 million to increase Medicaid physician rates statewide.** Assuming that 60% or \$90 million of the new funds are paid to hospitals, there would be a \$50 million net gain for the hospital community, as this increase is funded by a \$40 million increase in the hospital tax and by \$20 million in GRF. HFS intends to use the funds to raise the physician rates so that they approximate a uniform percentage of Medicare rates – approximately 60%.
- The proposed Assessment **model would run from July 1, 2020 to December 31, 2022**, allowing these payments to sync up with the rate certification period for the Managed Care Organizations (MCOs) which is on a calendar year basis. .

The Hospital Assessment Program is a vital source of funding support **for patients**, the state's healthcare delivery system and community hospitals and health systems. **Most importantly, this program helps ensure that individuals in our state – especially the most vulnerable – have access to quality health care services that will improve their health – and the health of communities throughout Illinois. Achieving this goal depends on people having meaningful and affordable health coverage. In Illinois, three million Illinoisans are covered by Medicaid, including one out of every two children, as well as families, seniors and the disabled in every county of our state.**

Illinois hospitals and health systems have stepped up to help the State through the Hospital Assessment Program – by contributing billions of dollars over the years, to leverage and maximize billions of additional federal dollars for Illinois' Medicaid program. The Hospital

Assessment Program is the direct result of a strong partnership between the hospital community, HFS, the General Assembly and the Administration.

IHA and the hospital community commend all the members of the Legislative Medicaid Work Group as well as HFS Director Theresa Eagleson and her team for their diligence and engagement with IHA and the hospital community in working on the Hospital Assessment Program. Our collective efforts are vital in making sure that our state's most vulnerable populations as well as all Illinoisans are able to receive the quality healthcare they need when they need it – especially now during this challenging time as we face an unprecedented pandemic – and in the future.

We believe that the legislation to be considered by the House Executive Committee and the General Assembly will provide stability for hospitals serving vulnerable populations and communities. We ask that this committee and the General Assembly approve Senate Bill 2541, House Amendment 1.

Thank you for your consideration.