



Central/Statewide
44 East Main St., Suite 414
Champaign, IL 61820-3642
(v) 217/352-5600
(f) 217/352-5688
e-mail: cbhc-cu@cbhconline.org

Chicago
1325 S. Wabash, Suite 305
Chicago, IL 60605-2504
(v) 312/913-9449
(f) 312/913-9559
e-mail: cbhc-chi@cbhconline.org

Helplines
1-888-511-0290
(Children's Health)
1-888-544-8271
(Medicare & Uninsured)
Website: www.cbhconline.org

The Voice of Illinois Consumers

March 10, 2009

TO: State Senator Donne Trotter
Senate Committee on Deficit Reduction Hearing March 10, 2009
FR: Jim Duffett, Executive Director
Campaign for Better Health Care

Major Questions:

1. *What areas of the state budget are you interested in protecting and why are those areas important?*
2. *What revenue enhancements would you recommend be implemented to support those areas?*
3. *What reforms would you recommend in state-provided healthcare services to save taxpayers' money and improve access to services?*
4. *How can the state improve service delivery while reducing expenses?*
5. *How can Illinois reduce healthcare fraud to save taxpayer dollars?*
6. *What deficit reduction measures do you support?*

Mr. Chairman and Committee Members. My name is Jim Duffett and I am the Executive Director of the Campaign for Better Health Care. CBHC is the largest statewide health care grassroots advocacy coalition in Illinois. Thank you for inviting us today.

The major area of the state budget that we concentrate on is health care. Health care for consumers, specific programs helping the most vulnerable, making sure our provider community and the delivery of health care is on sound footing, and the overall economics of health care policy – how it affects Illinois families, Illinois businesses and all levels of government is fair and responsible.

Why is this important – health care is the key to economic security and opportunity. Health care and the need for affordable, accessible, quality and guaranteed health care affects every aspect of our society (education, economic development – growth, employment, and many other areas) and depending on what policies we have in place or enact – it will either drain and be a major financial burden on all aspects of society or be the largest economic stimulus for our state and nation.

We believe in shared responsibility and shared opportunities. We all have a responsibility: individuals, providers, businesses, insurers, and government. By lessening the financial burden around health care and giving people a peace of mind that they will have health care insurance, makes the impact of other revenue enhancers less frightening and more palpable. The number one reason people are facing foreclosure today is because of medical debt. President Obama's recent economic stimulus plan is a major down payment for health care reform. This major positive step forward by the Obama Administration does not preclude and frankly

necessitates the Illinois General Assembly to take steps this spring that will save the taxpayer's money, improve access to services, and reduce costs to the state.

• **First – SCHIP Reauthorization Program:**

This is extremely important for Illinois, but in a different way from most other states that do not, like Illinois, are committed to cover all children. What the increased federal funding does for Illinois is to help to fund a program already in existence. The federal dollars cover 65% of the program costs, and to the extent that they can be spent on children currently being covered with only state funds, the federal funds free up state funds for other health care purposes.

State government in Illinois has been on a years-long and admirable path to expand and improve health coverage for everyone in the state. The renewed federal activity should not slow that down or change the basic underlying goal, but it can and should alter the immediate agenda so that Illinois can thoughtfully maximize and prepare for the federal changes in this federal-state joint venture. Here is an agenda for this new SCHIP funding:

SCHIP Funding:

- Ensure that the ALL Kids Program is secure going forward by keeping most of the freed-up state funds in the program to keep the payment cycle manageable and strategically *increase access to specialist care by adjusting rates* for that care;
- *Aggressively enroll* children;

Enrolling more children's will not only make the children of Illinois healthier, but in terms of savings it will do the following:

- In these tough economic times, it will save the parents of these children needed resources to spend on other needed items;
- It will save the provider community resources, which will save the insured and businesses money and government. How? Who pays for uninsured children? The provider community has only so much blood in the turnip. They eat part of the costs, part of the costs are paid by the patient, and part is passed onto the rest of us in higher health care costs – those of us who are fortunate to still be insured and to businesses who are trying to cover their employees. In addition, as the mounting debt of uncompensated care grows – local providers seek additional revenue from state, county and local governments. These government resources do not need to be used for health care and can be used for other needs (deficit) if and only if these recommendations are enacted.

• **Second – FMAP Funding: - Another Revenue Enhancer**

Another major recent success of the Obama Administration's Stimulus Plan is the FMAP funding. This is the percentage of reimbursement that the State of Illinois receives from the federal government for the Medicaid Program. The FMAP funding increase is technically general revenue when it comes into the state treasury. However, it must be kept within the healthcare budget because it is drawn down as a result of Illinois' Medicaid spending. Importantly, one of the largest components of the state's budget deficit is the debt owed to health care providers under Medicaid and related programs. This is creating a crisis: beneficiaries' access to care is being threatened, all providers face growing debt and many potential closures, and the insured population are facing higher health care costs because of this.

What Needs to Happen: A budget neutral proposal with vision, action and savings:

- 1) Illinois MUST not decrease the current state level of funding for the Medicaid Program, even with the increase funding from the Federal Government;

2) Paying down the payment cycle and debt owned to the provider community is the top priority for these resources;

3) Re-establish the Health Care Justice Commission (Task Force) - \$2-5 million. As the Obama Administration and Congress moves forward with a federal-state health care reform plan, Illinois must be ready to maximize this opportunity (funding) and have a plan ready to deal with a number of access deficiencies that Illinois has;

4) Enactment of the Roadmap to Health (state public programs – deficit reduction) - \$15 million. This cost containment plan will begin developing systems to increase coordination, develop a chronic care network, utilization of health I.T. systems, and develop other components to increase the quality and efficiencies of our current state programs. A study conducted by nationally renowned economist Kenneth Thorpe from Emory University showed that the state of Illinois has the ability to save over \$250 million in four years – This is another example of a deficit reduction measure.

5) Workforce Development Plan (\$3 million): Illinois must have the professional workforce infrastructure to accommodate the nearly 2 million uninsured and hundreds of thousands of underinsured Illinoisans that will be in need of health services. A comprehensive plan must be developed – this too will save money throughout the economy.

6) Health Disparities (\$5 million): How our health care system interacts and delivers care to a wide range of Illinoisans must be a top priority. As we move forward to expanding health care for all Illinoisans, the opportunity is now to make sure our system understands our diversity, has established policies and systems to handle the diversity of our population. This will save money through: better outcomes, decrease in medical errors, and a more productive workforce.

• ***Additional savings and fraud -- that save state government and Illinoisans money.***

As I mentioned earlier we believe in shared opportunities and shared responsibilities. We all must compromise and take responsibility. One large stakeholder in our current health care industry is the insurance industry. There are bills pending in the House (Harris) and the Senate (Collins) that will not cost the state money, but will save the state tens of millions of dollars, provide a breath of fairness and economic stability for Illinois families and businesses by once and for all fairly regulating the insurance industry. I will not go into detail on all the elements, but one such reform is around the Medical Care Ratio or commonly known as the Medical Loss Ratio. This is the figure that shows how much of hard working Illinois businesses and families insurance premiums actually go to provide health care services. For example:

- The federal Medicare Program spends more than \$.97 cents per every dollar on health care services.
- Illinois' Medicaid Program spends more than \$.93 cents
- Currently the average insurance company in Illinois spends barely \$.80 cents on the dollar on health care services, some spend as little as \$.50 cents.

Small businesses around this state understand who is getting ripped off. Under these proposals a ceiling would be set at \$.85 cents. Forcing efficiency and resulting in cost savings for government, businesses and Illinois families.

One smoke and mirrors (deficit reduction) being proposed by the insurance industry is Medicaid managed care. It has been tried in the mid-1990s throughout the Chicagoland area and the only

savings that were made were by the insurance industry CEO's. It cost providers, taxpayers, patients and others not only money but also their lives.

- **Lastly, other revenue enhancers:**

- A cigarette tax whose revenue would be focused on prevention, public health and other related services.

- A progressive employer assessment to fund a targeted health care program for small businesses. The cost of inaction has greater economic implications on everyone. Currently the majority of businesses are not only providing health care insurance to their workers, but have an extra unfair burden (Hidden Health Care Tax) by paying higher insurance premiums for those workers whose employers do not provide health insurance. The majority of small businesses want to provide insurance, but can not afford it. There are others who can afford it, but prefer to be "free loafers" at the expense of other employers. A progressive employer assessment as outlined in Senator Koehler's and Representative Ryg's legislation would add an economic savings to government, providers, Illinois businesses and families.

Thank you for your time and we are more than happy to happen in any other way.