



Testimony for Medicaid Reform Committee

Thank you, Chairpersons and members of the Committee.

My name is Mike Spellman and I am a volunteer with AARP in Illinois.

I am here today to testify on the critical issue of Medicaid reform, bringing the perspective of those individual who someday will need the services the state provides under Medicaid, including long term care services.

We all agree that our state is in a dire fiscal situation. And we understand that the purpose of these hearings is to explore ways in which the State can run the Medicaid system more efficiently and generate savings. While the state should indeed pursue efficiency in the services it provides to its citizens, and do it in a fiscally responsible way, it's also critical that our elected leaders take decisive steps towards rebalancing Illinois' Long Term Care system.

Along with this testimony, we have submitted draft legislation that will rebalance Illinois Long Term Care services in a way that increases its reach, while generating important savings to taxpayers. At a time when many community providers are being crushed under weight of unpaid bills, the legislation we propose would provide for transfers of funding from institutionally-based funds when community based appropriations run dry.

Illinois pays, on average, nearly three times more for each citizen placed in a nursing home, than what it pays for the same individual receiving home and community-based services. This is a structural flaw in our Long Term Care system that is currently compounded by our fiscal crisis, and unless it's fixed now, it will lead to further crises in the future with a growing number of providers shutting down their doors, laying off their workers, and impacting their local economies.

We have attached some estimates showing how rebalancing our Long Term Care system would have affected the years 2002 and 2007 based on data collected from states by AARP in the Across the States Profiles on Long Term Care Report. In short, the estimates suggest that simply having balanced our long term care system more in favor of home and community-based services could save the state around \$250 million annually.

A recent survey of AARP members in Illinois showed that 82% of our members want to preserve or expand programs that allow people to remain in their own homes as they age, and 80% want to see improvements in the quality and cost of Long Term Care services. Nearly 91% of members expressed opposition to cuts to home and community-based services, and would even support tax increases if the money generated prevented cuts to these programs.

If net savings to the state and the preferences of its citizens are not enough reasons to move the state in this direction, the federal Affordable Care Act has provided a few avenues to achieve enhanced matching funds for states that move towards rebalancing. These funds will increase the savings for states that move in this direction. Programs funded by these lines include the Balancing Incentive Payments Program and the Community First Incentive Program. Both mandate forward progression on rebalancing. We should also remember that Illinois faces several lawsuits that will require the State to increase community options for services to seniors, the disabled and the mentally ill.

Long term care services in Illinois are not just for individuals living under the poverty line, or for those who are chronically unemployed and would go broke trying to pay for care themselves especially when the only option is a nursing home. Unfortunately, Illinois has failed in ensuring cost-efficient and community-based options are funded and available, particularly in the middle of our fiscal crisis.

This inefficiency in Medicaid Long Term Care is, in part, due to the way that we make decisions about the budget appropriations for these programs. Year after year we scrutinize each program individually because they are paid from different agencies. This has often led to concern over growth rates, instead of consideration of the savings in programs that save the state money through home and community based services. A simple, costless solution to this problem is to hold appropriation hearings on Medicaid Long Term Care as a whole. This effort would help bring together all programs providing these services from each agency and give our state leaders a chance to make decisions based on the full view of the system.

We are facing dire times now but we cannot afford to only make temporary changes. As our population ages, a growing number of older Illinoisans will need care over the next two decades, and will prefer to receive those services in their own homes and communities.

Our Long Term Care system cannot continue to be handled in the way that it is today. Without streamlining our Long Term Care system - by getting ahead of the curve on rebalancing - the already massive cost of long term care services to taxpayers will skyrocket.

On behalf of our 1.7 million Illinois members, I would like to close my testimony by underscoring our disposition to actively working with you, and take the necessary steps to provide the quality Long Term Care services our citizens need and deserve.

Thank you.

Draft Rebalancing language

Amend the *Human Services Act*

(20 ILCS 1305/1-50 new)

Sec. 1-50. Long Term Care Rebalancing Fund.

- (a) The Long Term Care Rebalancing Fund is created in the State treasury as a special fund.
- (b) The Fund is created for the purpose of receiving and disbursing moneys in accordance with this Section. Disbursements from the Fund shall be made for payment of expenses incurred by the Department on Aging, the Department of Healthcare and Family Services, or the Department of Human Services, in support of rebalancing the long term care system.
- (c) The Fund shall consist of the following:
  - (1) Moneys transferred from another State fund.
  - (2) All federal moneys received as a result of expenditures that are attributable to moneys deposited in the Fund.
  - (3) All other moneys received for the Fund from any other source.
  - (4) Interest earned upon moneys in the Fund.

Amend the *State Finance Act*

(30 ILCS 105/5.XXX new)

Sec. 5.XXX. The Long Term Care Rebalancing Fund.

(305 ILCS 5/5B-8) (from Ch. 23, par. 5B-8)

Sec. 5B-8. Long-Term Care Provider Fund.

- (a) There is created in the State Treasury the Long-Term Care Provider Fund. Interest earned by the Fund shall be credited to the Fund. The Fund shall not be used to replace any moneys appropriated to the Medicaid program by the General Assembly.

(b) The Fund is created for the purpose of receiving and disbursing moneys in accordance with this Article. Disbursements from the Fund shall be made only as follows:

- (1) For payments to skilled or intermediate nursing facilities, including county nursing facilities but excluding State-operated facilities, under Title XIX of the *Social Security Act* and Article V of this *Code*.
- (2) For the reimbursement of moneys collected by the Illinois Department through error or mistake, and for making required payments under Section 5-4.38(a)(1) if there are no moneys available for such payments in the Medicaid Long Term Care Provider Participation Fee Trust Fund.
- (3) For payment of administrative expenses incurred by the Illinois Department or its agent in performing the activities authorized by this Article.
- (3.5) For reimbursement of expenses incurred by Long-term care facilities, and payment of administrative expenses incurred by the Department of Public Health, in relation to the conduct and analysis of background checks for identified offenders under the *Nursing Home Care Act*.
- (4) For payments of any amounts that are reimbursable to the federal government for payments from this Fund that are required to be paid by State warrant.
- (5) For making transfers to the General Obligation Bond Retirement and Interest Fund, as those transfers are authorized in the proceedings authorizing debt under the *Short Term Borrowing Act*, but transfers made under this paragraph (5) shall not exceed the principal amount of debt issued in anticipation of the receipt by the State of moneys to be deposited into the Fund.
- (6) For making quarterly transfers of money to the Long Term Care Rebalancing fund for the amounts that exceed the amounts appropriated for expenses incurred by the Department on Aging, the Department of Healthcare and Family Services, or the Department of Human Services, in support of rebalancing the long term care system. Any additional authorized amounts are hereby appropriated.

Disbursements from the Fund, other than transfers to the General Obligation Bond Retirement and Interest Fund shall be by warrants drawn by the State Comptroller upon receipt of vouchers duly executed and certified by the Illinois Department.

(c) The Fund shall consist of the following:

- (1) All moneys collected or received by the Illinois Department from the long-term care provider assessment imposed by this Article.
- (2) All federal matching funds received by the Illinois Department as a result of expenditures made by the Illinois Department that are attributable to moneys deposited in the Fund.
- (3) Any interest or penalty levied in conjunction with the administration of this Article.
- (4) Any balance in the Medicaid Long Term Care Provider Participation Fee Fund in the State Treasury. The balance shall be transferred to the Fund upon certification by the Illinois Department to the State Comptroller that all of the disbursements required by Section 5-4.31(b) of this *Code* have been made.
- (5) All other monies received for the Fund from any other source, including interest earned thereon. (Source: P.A. 95-707, eff. 1-11-08.)