

Illinois Issues blog

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Cigarette tax is the linchpin for Medicaid reform plan

By Jamey Dunn and Ashley Griffin

One component of a proposal that lawmakers say would eliminate \$2.7 billion in Medicaid liability was released today, and Democrats are optimistic that legislators can reach an agreement before session is scheduled to adjourn at the end of the month.

[Senate Bill 2840](#) contains many of the cuts to Medicaid services previously [suggested by Gov. Pat Quinn](#). The measure would:

- Eliminate coverage for group therapy for nursing home residents, chiropractic care for adults and in-patient detoxification programs.
- Eliminate the Illinois Cares Rx program, which helps seniors pay for prescription drugs.
- Require a \$2 copay for prescription drugs
- Cap hearing, speech, occupational and physical therapy at 20 sessions. Eliminate adult dental care except for in emergency situations.
- Limit patients to four prescriptions per month. Three of the prescriptions can be brand name drugs. Limit patients to one pair of eyeglasses every two years ,.
- Require prior approval for the repair or replacement of equipment, such as prostheses and wheelchairs

However, health care providers would take a much smaller hit under the plan. Larger, for-profit hospitals would see a 3.5 percent reduction in the rates they are paid for providing Medicaid services, while so-called safety net hospitals and rural critical-access hospitals would be exempt from the rate cut. “The governor throws out ... broad brush concepts, and the legislature actually really got down to the details,” said Rep. Sara Feigenholtz, a member of the legislative group that worked on the plan. She said the governor’s proposal of 8 percent rate cuts was a nonstarter with most if not all members of the House. A spokesperson for the Illinois Hospital Association said he could not immediately comment on the bill because the group still needs to review it.

Feigenholtz, a Chicago Democrat, estimates that the rate reduction in the bill would result in \$240 million in savings. Supporters of SB 2840 say they expect it to cut \$1.4 billion to \$1.6 billion out of the state's Medicaid liability. "The bill that we have right now is about \$1.6 billion in cuts and rate reductions and program efficiencies. Then, the cigarette tax is about \$700 million [with a federal match]; there's another \$100 million from an expanded assessment. The assessment gets more than that [in total], but another \$100 million will go to fill the \$2.7 billion problem," said Sen. Heather Steans, who was also a part of the legislative working group. "And then we also did a [supplementary \[appropriation\] to pay unpaid Medicaid bills this year of \\$300 million, which we already passed \[last week\]](#), so it's all those things that add up to the \$2.7 billion.

Feigenholtz and Steans said the plan relies on the approval of a cigarette tax. "If the cigarette tax doesn't pass, we are going to have to go back to the drawing board and cut a lot of human services things that are very important to us, like taking care of the elderly [and] child care. It is going to blow a massive hole into the human services budget." The proposed \$1-a-pack increase is not in Senate Bill 2840. Steans, a Chicago Democrat, said she expects the tax legislation to surface in the next few days. Backers of the proposal also hope to rework the hospital assessment – which is an accounting practice that the state uses to leverage federal funds – to bring in \$100 million more next fiscal year, which begins July 1. Steans said she hopes to have the whole plan approved by the end of the week, so lawmakers can move on to considering the budget. "The goal is to do it this week or try to finish it up by the end of this week. We have to turn over the budget by the [May] 31st deadline."

When asked if she was confident that overall plan could find the needed support to pass, Feigenholtz said: "You know what, I am. I really am. I think that there was solidarity. I think it was tough, but everybody working in earnest together toward a common goal. ...It's time that we call the bill and have public debate about it." But at least publicly, some Republicans are not warming to a cigarette tax increase. "I do not like the cigarette tax. There's a lot of discussion going on right now as to what's going to change in the bill and what's going to be there. I don't think the bill is going to be in the same form that it's in today, I don't know what its going to be," said Hinsdale Republican Rep. Patricia Bellock, who was also a part of the legislative working groups.

Some Republicans are supporting [a proposal from the Illinois Policy Institute](#), a think tank dedicated to "supporting free market principles," which they say can cut the Medicaid liability by \$2.7 billion without rate reductions or a tax

increase. “The governor and the members of the House and the Senate agreed that it was imperative to find \$2.7 billion in Medicaid savings. The plan that is being proposed and discussed by lawmakers unfortunately fails to live up to that promise. Instead, tax hikes and rate cuts are being substituted for reform,” Sen. Kyle McCarter, a Republican from Lebanon, said today at a news conference to promote the plan.

But advocates and experts warn that deep cuts look like savings on paper but could cost the state more in the long run. They say that cuts to preventative services can land patients, who would get sicker without maintenance care, in emergency rooms where care would cost more. Jim Duffett, executive director of the Campaign for Better Health Care, said that even the plan based around SB 2840, which would offset some cuts with new revenue, would likely cause such problems. “If you don’t get your oil changed, it’s going to cost you more later.” He said that rolling back services does not mean that people will not need care, and the costs that providers incur would instead be shifted elsewhere, possibly to insurance companies and down the pipe to their customers. “For many of us that do have health insurance, we are going to end up seeing those costs continue to increase.”

Duffett called today’s plan a “numbers game” that does not consider the possibility that cuts to such services as dental care and in-home care could lead to greater expenses, such as increased hospitalizations, for the Medicaid program down the line. “This is a bottom line budget figure that folks need to have.” Duffett said that lawmakers should look at the budget as a whole and consider alternatives, such as eliminating tax breaks for businesses, to bring in more revenues. “There are a few things in here that are positive, but the \$1.4 billion in cuts to the most vulnerable in our view just doesn’t make sense,” he said.

Feigenholtz said the plan is not perfect, but she said lawmakers did their best try to protect Medicaid patients while also creating a piece of legislation that may be able to pass in the General Assembly. “We understand how important it is to the most vulnerable people in the state of Illinois. It was a lot of work to try and protect those people, the poor the elderly and children. We’re hoping at the end of the day that’s what we’re achieving.”

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