

GOVERNOR QUINN SIGNS LAW TO SAVE MEDICAID

06/14/12

Governor Pat Quinn today signed into law a package of reforms that will rescue the state's Medicaid system from the brink of collapse and make the program sustainable for the future, one of his top priorities this legislative session.

The series of new laws reaches the governor's goal of \$2.7 billion in Medicaid savings, which includes \$1.6 billion in Medicaid spending reductions, an increase in the price of cigarettes and resulting dollar-for-dollar federal matching funds. The legislation targets fraud and abuse in Medicaid, reduces rates for providers and decreases the burden of smoking on the Medicaid system through a dollar-a-pack increase in the price of cigarettes, which will also prevent children from smoking. The new laws also provide new federal funding for hospitals, and end the long-time practice of balancing the budget by pushing Medicaid bills into the next fiscal year.

During his budget address in February, Governor Quinn called for the fundamental restructuring of Medicaid through \$2.7 billion in liability reductions to repair the program's long-term deficit. To achieve that goal, the governor convened a working group of bipartisan legislators to develop numerous options to reach the savings. In April, the governor laid out a proposal to rescue Medicaid that was informed by the working group, which served as the basis for successful negotiations on the final package of legislation he signed today.

"One of our most important missions in Springfield this year was to save Medicaid from the brink of collapse," Governor Quinn said. "I applaud the members of our working group and of the General Assembly, who worked together in a bipartisan manner to tackle a grave crisis. As a result, we preserved our healthcare program that millions of our most vulnerable rely upon."

As Governor Quinn cited in his budget address, the Medicaid program faced a \$2.7 billion budget gap this year and the pile of unpaid bills would have grown to \$21 billion by 2017 without a series of difficult but necessary reforms. During his budget address, the Governor called for a combination of eligibility reforms, reductions in optional services, controls on utilization and cuts in provider rates to close the gap.

Governor Quinn assigned Director Julie Hamos of the Illinois Department of Healthcare and Family Services (HFS) to craft a Medicaid rescue package in cooperation with a bipartisan Legislative Medicaid Advisory Committee, led by Sen. Heather Steans (D-Chicago) and Sen.

Dale Righter (R-Mattoon) and Rep. Sara Feigenholtz (D-Chicago) and Rep. Patricia Bellock (R-Hinsdale).

The Governor signed five pieces of resulting legislation today:

- SB 2840, sponsored by Sen. Steans and Rep. Feigenholtz: The "Save Medicaid Access and Resources Together Act" (SMART Act) includes \$1.6 billion in 62 spending reductions, utilization controls and provider rate cuts.
- SB 2194, sponsored by Sen. Jeffrey Schoenberg (D-Evanston) and Rep. Barbara Flynn Currie (D-Chicago): \$1 per pack increase in the price of cigarettes provides \$350 million and dollar-for-dollar federal matching funds of \$350 million for Medicaid; a new hospital assessment program provides \$100 million for Medicaid and \$480 million for hospitals.
- HB 5007, sponsored by Sen. Kwame Raoul (D-Chicago) and Rep. Currie: The Cook County Waiver authorizes the Cook County Health & Hospitals System to provide a limited Medicaid coverage to their patients, prior to the Affordable Care Act 2014 implementation, at no cost to the state; also extends the state's moratorium on Medicaid expansion to 2015.
- SB 3397, sponsored by Sen. Steans and Rep. Currie: Phases out the long- time practice of balancing the budget by pushing Medicaid bills into the next fiscal year
- SB 3261, sponsored by Sen. Iris Martinez (D-Chicago) and Rep. Kelly Cassidy (D-Chicago): defines charity care for purposes of property tax exemptions for non-profit hospitals.

The SMART Act scales Medicaid to fit available funding sources through spending reductions, utilization controls and provider rate cuts. Its key provisions include:

- Reducing eligibility for adults in the FamilyCare program to 133 percent of the Federal Poverty Level (\$30,660 for a family of four).
- The state's subsidy for the federal prescription drug (Part D) program, IL Cares Rx, is terminated, but "Extra Help/Low Income Subsidy" provides federal assistance to low-income seniors and people with disabilities eligible for Medicare.
- New integrity measures will aggressively target client and provider fraud through:
 - o Enhanced eligibility verification of income and residency through use of private vendor's access to national databases for annual redeterminations; and
 - o Expanded authority of the HFS Inspector General to deny, suspend and recover overpayments and conduct pre-payment and post-payment provider audits.
- Eliminates some optional services, such as group psychotherapy and adult chiropractic services, and places utilization control on certain optional services such as adult dental services (restricted to emergencies), adult podiatry services (restricted to diabetics), and adult eyeglasses (limited to 1 every 2 years).
- Limits are placed on adult and children's prescriptions to four per month, with additional prescriptions available based on patients' needs.

- Most provider groups receive a rate cut of 2.7% except for doctors, dentists, clinics, safety-net hospitals and critical access rural hospitals. Non-exempt hospitals receive a rate cut of 3.5%. Nursing home cuts average 2.7%, but the homes serving clients who have the highest care needs are being impacted less.

"This has been a difficult process, but I applaud the Governor and my colleagues for addressing the structural deficit in the Medicaid program that has been building up for years," said Rep. Feigenholtz. "Without making these tough choices, we could not continue to provide the critical services to those who depend on the program most."

"The Medicaid program had become unsustainable. By taking these actions, we are ensuring that the program will survive in the future and be there to serve the most fragile and vulnerable members of society," said Sen. Steans. "And we were able to avoid cuts to more vital services by increasing the cost of cigarettes, which will help lower our overall health care costs."

"The Medicaid system was on the brink of collapse and was threatening financial health of our health care delivery system and state government as a whole," said HFS Director Julie Hamos. "Now that we have put the program on a sustainable financial path, we can focus on our ultimate goal of transforming the program from one which simply pays medical bills, to one that keeps its clients healthy by coordinating their care and making sure when they do get sick, they get care that is effective and results in better outcomes." The dollar-a-pack increase in the price of cigarettes was hailed by healthcare advocates as an important public health measure. The price increase will decrease smoking-related costs to Medicaid, which came to \$1.5 billion last year, according to the American Cancer Society (ACS). The organization estimates it will help about 60,000 people quit smoking, prevent 60,000 deaths from smoking-related conditions and keep 80,000 kids from taking up smoking in the first place.

"The price increase for tobacco is a great win for public health because it will do more than just ease the state's Medicaid issues," said Joel Africk, president and chief executive officer of Respiratory Health Association. "The tax increase will help people who want to quit, it will save lives from being lost to tobacco-related illnesses, and it will discourage our youth from starting to smoke. Congratulations to Governor Quinn and all of the law's supporters."

"The American Cancer Society supports Governor Quinn's actions to improve the health of Illinois residents," said Katherine L. Griem, M.D., President of the American Cancer Society, Illinois Division. "Smoking remains the leading cause of cancer and curtailing and preventing it, especially in our youth, will save thousands of lives."

For more information, go to: <http://www2.illinois.gov/hfs/agency/Pages/Budget.aspx>