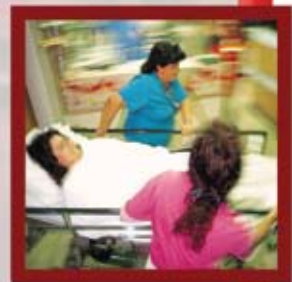


Medicaid Reform Package

*Common-sense solutions
for today, to protect the
patients and taxpayers of
tomorrow.*



The Case for Reform

In recent years, Illinois has been sent to the edge of a fiscal cliff by massive growth in state spending. Illinois' General Funds budget is nearly one quarter larger today than it was at the beginning of the current administration – an increase of \$5.2 billion, according to the State Comptroller.

This spending has yielded systemic budget deficits that regularly outpace the ability of state revenues to keep up. In Fiscal Year 2007, the deficit stood at \$3.6 billion, which the Comptroller says gave Illinois “the dubious opportunity to retain its status of having the worst deficit in the nation – for the fourth year in a row.”

Fueling these billion-dollar deficits has been a surge in Medicaid spending – a growth that is unparalleled in its scope and troubling in its long-term fiscal implications. Under Governor Rod Blagojevich, Medicaid spending and enrollment has spiked – eclipsing the growth that was seen in the decade preceding his administration.

This massive increase in Medicaid spending has wide-ranging implications for the state's fiscal health. Using what is known as the “Section 25” loophole, the state has disguised the true annual costs of its Medicaid program by pushing costs from one fiscal year into the next.

For years, it has been known that Illinois' Medicaid spending increases cannot continue at this pace. In 2004, a bipartisan task force described the rate of Medicaid growth as “unsustainable.” Since then, Medicaid spending has continued to outpace revenue growth and the problem has been compounded.

The time for talk is over, and the time for action is now. We stand ready to work to reform the Illinois Medicaid system. The reforms we are proposing will not, by themselves, fix all the problems we are facing, but they represent responsible and reasonable common-sense reforms to move Illinois toward financial stability.

Highlights of the reform package include:

- Freeze Medicaid programs at their current level (SB 2463)
- Phase out the State's ability to use the current fiscal year's appropriation to pay last year's bill, over a 10-year period (SB 2846)
- Require the Department of Healthcare and Family Services (DHFS) to use two consecutive pay stubs in order to verify Medicaid eligibility (SB 2464)
- Add families to the list of populations that are already required to meet asset test standards for Medicaid eligibility (SB 2465)
- Require applicants for the All Kids program to meet the same residency standards already in place for all other Medicaid eligible groups (SB 2468)
- Set a series of benchmarks for care, quality, and finances to be used as guidelines for providers and used for reimbursement, by the State, when the providers meet or exceed the benchmarks (SB 2466 and SB 2467)



Moratorium on new or expanded Medicaid programs

Senate Bill 2463 (Righter-Radogno-Pankau)

- **Senate Bill 2463** would prohibit any new Medicaid expansions unless approved by the General Assembly.
- Illinois Medicaid spending is growing faster than State revenues can sustain; Illinois can't even meet current obligations.
- Illinois is halfway through the current fiscal year and has a \$1.7 billion backlog of Medicaid bills. Unfortunately, Illinois' Medicaid growth has outpaced national trends in both enrollment and spending. If Illinois had simply followed the national averages, the State would be spending \$700 million less this fiscal year.
- The Governor is currently trying to unilaterally expand Medicaid without legislative authorization. Eventually, this Governor will no longer be in office, but the taxpayers will be saddled with a permanent and crushing financial burden.
- Unless Illinois brings its Medicaid growth under control, the State will eventually be forced to scale back existing benefits and deny healthcare to the truly needy.
- **Senate Bill 2463** will help contain the growth and control the state's Medicaid liability. Until spending control measures are implemented, the creation of new or expanded programs should cease.

	Medicaid spending growth			Medicaid enrollment growth	
	IL	Nat'l		IL	Nat'l
2004	9.7%	7.7%	2004	4.8%	4.2%
2005	10.1%	6.4%	2005	9.7%	3.2%
2006	1.6%	1.3%	2006	7.8%	0.2%
2007	3.7%	2.9%	2007	10.0%	(0.5%)
2008	8.0%	6.3%	2008	10.0%	2.2%
Avg.	6.6%	4.9%	Avg.	8.2%	1.9%

Lapse-period spending limits

Senate Bill 2846 (Radogno-Righter-Pankau)

- Over the years, many Governors have used a loophole in Illinois law as a way to portray deficit spending as "balanced."
- Unfortunately, what they have effectively done is balance the budget by using doctors, pharmacists, hospitals and nursing homes as no-interest lenders for the state.
- As a result, the Comptroller's office has stated that as of December 2007, the State's backlog of unpaid Medicaid bills was nearly \$1.7 billion. The Comptroller's office has also determined that outstanding "Section 25" liabilities for Fiscal Year 2007 were almost \$3.5 billion.
- As State revenues continue to lag in growth, and unfettered spending increases continue to go unchecked, the increasing backlog of unpaid bills will continue to grow.
- **Senate Bill 2846** would phase out the State's ability to use the current fiscal year's appropriation to pay last year's bills.



Lapse-period spending limits (continued)

- Under the provisions of Senate Bill 2846, the use of the “Section 25” loophole (named for its place in the Illinois statutes) would end on June 30, 2017, incorporating a gradual reduction in the Medicaid backlog over 10 years.
- While the Medicaid backlog was high in the 1990s, the State has never carried an end-of-year backlog of more than \$1 billion in five consecutive years, as is the case with the current Administration.
- Although an immediate elimination of “Section 25” might be preferable, it is impractical given the depth of the state’s deficit spending. **Senate Bill 2846** would phase out the deficit spending over 10 years.
- Under SB 2846, the State can have no more than the following amounts of outstanding Section 25 liabilities (on a GAAP basis):

2008 - \$2.8 billion
2009 - \$2.3 billion
2010 - \$2.0 billion
2011 - \$1.7 billion
2012 - \$1.4 billion
2013 - \$1.1 billion
2014 - \$0.8 billion
2015 - \$0.5 billion
2016 - \$0.2 billion
2017 - \$0.0 billion

Performance-Based Managed Care **Senate Bill 2466** and **Senate Bill 2467** (Brady-Pankau)

- In a report released by the Commission on Government Forecasting and Accountability (COGFA), it was recommended that moving to a performance-based managed care system would produce \$110.1 million in savings after the first year of implementation alone.
- The current Administration has opted instead to implement a statewide Primary Care Case Management (PCCM) in the Medicaid program that is not performance-based.
- **Senate Bill 2466** and **Senate Bill 2467** would provide a series of specific benchmarks for care, quality and finances, which providers would be required to meet in order to receive reimbursement for their services.
- These reforms would provide a means for controlling costs and would help to establish a standard of care for all providers and individuals in Illinois seeking services.



Income verification standards

Senate Bill 2464 (Pankau-Righter-Radogno)

- It is well-documented that the Blagojevich Administration has placed great pressure on its employees to register as many people as possible for its healthcare programs as a way to quantify the success of its initiatives.
- The Office of the Inspector General for the Department of Public Aid found that of a randomly selected population, 27% of KidCare participants had yearly incomes in excess of eligibility levels.
- Unfortunately, the administration's "live for today" approach means little thought is given to the consequences of registering individuals who do not meet qualifications.
- **Senate Bill 2464** would require the Department of Healthcare and Family (DHFS) services to use two consecutive pay stubs in order to verify Medicaid eligibility.
- This requirement returns the State to practices used by previous administrations to establish eligibility, and is a logical and reasonable reform of the Medicaid program.
- Higher-income persons should not be allowed to "game" the system due to lax income verification standards. With limited resources available for program expenses, the State needs to ensure that scarce resources are used to serve those who actually qualify for the program.
- This is truly a tax-saving initiative. An estimated \$50 million would be saved by requiring further income verification, simply by ensuring that the current income standards are upheld when determining Medicaid eligibility.

Asset Testing

Senate Bill 2465 (Pankau-Righter-Radogno)

- Currently, people with disabilities and senior citizens are required to meet asset tests for eligibility.
- It is simply not right that a senior citizen couple, earning only \$14,000, can hold no more than \$3,000 in assets, while a family of four, who earns \$85,000 a year can have unlimited assets and still qualify for taxpayer-paid assistance.
- Currently, asset tests exclude a client's home and vehicle, so a family can keep their \$300,000 home and the \$25,000 SUV and qualify if they meet the income standards.
- The Department of Healthcare and Family Services' Inspector General found that 20% of enrollees who were audited had assets in excess of the \$3,000 limit imposed on the senior citizen population.
- To provide fair and equitable access to the programs associated with Medicaid, we should not have a double standard that applies only to some Medicaid populations and exempts others.
- Senate Republicans believe that it is only fair to require others who have access to Medicaid coverage to submit to similar asset tests.
- **Senate Bill 2465** would add families who believe they are eligible for free health care coverage to the list of populations who are required to meet asset test standards for Medicaid eligibility.



Uniform citizenship requirements

Senate Bill 2468 (Pankau-Righter-Radogno)

- Recent reports on the Governor's All Kids program show that 60%, of the nearly 39,000 participants, did not demonstrate or provide information on immigrant status.
- The resulting cost to the State, due to lack of sufficient documentation, was approximately \$35 million (23,000 participants at an average annual cost of \$1,500).
- Senate Republicans believe that the State's Medicaid program should have consistent eligibility requirements for all.
- **Senate Bill 2468** would require applicants for the All Kids program to meet the same standards already in place for all other Medicaid eligible groups.
- The current citizen requirements, which apply to senior citizens and persons with disabilities, are neither onerous nor unfair.
- What is unfair is that persons with disabilities and the senior citizen population must provide verification of their immigrant status, but other populations are excused from this federal requirement.
- Illinois cannot receive federal matching funds for persons who do not meet the current Medicaid residency requirements, forcing taxpayers in Illinois to bear the full cost while reducing available funds for services.
- If **Senate Bill 2468** is signed into law, Illinois will put All Kids on a level playing field with other Medicaid-eligible populations. The state will also have a greater chance of receiving a federal match for the children enrolled.

