



February 2018

**Senate Bill 1773 and Senate Bill 1573
Hospital Assessment Program: Preserve Access to Care,
Modernize the Payment System, Preserve Federal Medicaid Funding,
Enhance Medicaid MCO Performance Transparency**

Issue: On June 30, 2018, \$3.5 billion in total annual Medicaid funding sunsets under the Illinois law authorizing the Hospital Assessment Program. This funding includes:

- **\$2.8 billion for Medicaid hospital services**, out of about \$6 billion annually; and
- **\$750 million for Medicaid non-hospital services.**

IHA Position: IHA urges the General Assembly to approve **Senate Bill 1773** – bipartisan legislation to reform and modernize Illinois’ outdated Hospital Assessment Program formula – and **Senate Bill 1573** to enhance Medicaid managed care performance transparency and oversight. The redesign of the Hospital Assessment Program is the result of many months of intense analysis, discussion and meetings with IHA and its diverse members, the Department of Healthcare and Family Services, the bipartisan Legislative Medicaid Working Group and other stakeholders. **Legislative action is needed now to allow time for the State to obtain final federal CMS approval and implementation by July 1, 2018.**

Key Components of the Redesigned Hospital Assessment Program

- The assessment program will be modernized with payments based on updated patient utilization data, replacing current payments based on obsolete data from more than 10 years ago.
- This plan will preserve and rationalize the \$850 million in ACA funds that the State has secured and maximized for the past four years.
- More than \$600 million will transition from static supplemental payments to dynamic claims-based payments by moving 18 percent of the plan’s funding into “live rates”— striking a balance between moving to a more rational system where the money follows the patient/service, but providing stability and predictability in payments in Phase I while the integrity of the data on which the plan is built can be evaluated and improved. (The allocation for live rates would adjust to 35 percent after two years and increase to 50 percent by the sixth year of the phase-in period.)
- Under the model, outpatient services will continue to be incentivized with a 10 percent increase to inpatient rates and a 23 percent increase to outpatient rates.
- To ensure the program is working as envisioned and that MCO performance is improving, the legislation sunsets after two years as a checkpoint to evaluate the program’s effectiveness; a vote of the General Assembly will be required for the program to continue.
- The model includes a process and funding pool of \$263 million (from repurposed rate reform transition funds) to incentivize hospitals to transform and adjust to changes in their environment.
- The legislation includes increased reporting on MCO claims processing and payment performance (SB1573).
- By prioritizing the program’s new dollars for Safety Net and Critical Access Hospitals, the assessment program will maintain access to care for our most vulnerable populations in urban and rural communities across the state.

**Preserve Access to Care and Federal Matching Funding for Illinois
Support a Modernized Hospital Assessment Program
Vote Yes on Senate Bill 1773 and Senate Bill 1573**