

HOSPITAL AND HEALTHCARE TRANSFORMATION LEGISLATION

SUMMARY OF SENATE BILL 1510

January 13, 2021

On January 13, 2021, the General Assembly passed IHA supported legislation – [Senate Bill 1510](#) (House Amendment 3) – to authorize the Hospital and Healthcare Transformation program. The Department of Healthcare and Family Services (HFS) will administer the program which is supported by an annual transformation funding pool of \$150 million. This legislation closely aligns with IHA’s principles and is the culmination of an intensive and sustained advocacy strategy by IHA and the hospital community for a meaningful transformation program.

In short, the Hospital and Healthcare Transformation program provides the opportunity for vulnerable communities to receive state funds to develop and implement systemic and comprehensive transformation strategies to reduce health disparities, advance health equity and improve the health and healthcare of their community.

The Hospital and Healthcare Transformation Program

Senate Bill 1510 (House Amendment 3) establishes the Hospital and Healthcare Transformation program. As described below, the legislation amends Section 14-12(d-5) of the Public Aid Code by amending and adding several subsections. (305 ILCS 5/14-12(d-5)(B) through (H). It is anticipated that HFS will issue guidance and information for implementing the program in the coming weeks.

Section (d-5)((B) Purpose:

It is the intention of the General Assembly that innovative partnerships funded by the transformation program be designed to establish or improve integrated health care delivery systems that will provide significant access to the Medicaid and uninsured populations in their communities, as well as improve health care equity. It is also the intention of the General Assembly that partnerships recognize and address the disparities revealed by the COVID-19 pandemic as well as the need for post COVID care.

Section (d-5)(B) Funding:

During State fiscal years 2021 through 2027, the Hospital and Healthcare Transformation program shall be supported by an annual transformation funding pool of up to \$150 million, pending federal matching funds.

The program does not require new funding – the legislation authorizes HFS to expend dollars for transformation projects that were set aside in May 2020, as part of the legislative negotiations on the hospital assessment program. The \$60 million in state funds that were

allocated for this program in May 2020, will be eligible for federal Medicaid matching funds, resulting in \$150 million dollars for health equity and innovation in Illinois.

Section (d-5)(E) Criteria for Proposals:

To be eligible for funding, a transformation proposal will have to meet all of the following criteria, including:

- i. Designed based on a community needs assessment completed by either a University partner or other qualified entity with significant community input;
- ii. Is a collaboration among providers across the care and community spectrum, including preventative care, primary care, specialty care, hospital services, mental health and substance abuse services, as well as community-based entities that address the social determinants of health;
- iii. Is specifically designed to improve healthcare outcomes and reduce healthcare disparities, and improve the coordination, effectiveness, and efficiency of care delivery;
- iv. Has specific measurable metrics related to disparities that will be tracked by the Department and made public by the Department;
- v. Includes a commitment to include Business Enterprise Program (BEP) certified vendors or other entities controlled and managed by minorities or women; and
- vi. Shall specifically increase access to primary, preventive, or specialty care.

Section (d-5)(F) Entities Eligible to be Funded:

- i. Collaborations operating in one of the most distressed communities in Illinois as determined by U.S. Centers for Disease Control and Prevention's Social Vulnerability Index (SVI) for Illinois and areas disproportionately impacted by COVID-19 or from rural areas of Illinois.
- ii. The Department shall prioritize partnerships from distressed communities which include BEP certified vendors or other entities controlled and managed by minorities or women, and also include one or more of the following: safety net hospitals, critical access hospitals, the campuses of hospitals that have closed since January 1, 2018, or other healthcare providers designed to address specific healthcare disparities including the impact of COVID-19 on individuals and the community and the need for post-COVID care. All funded proposals must include specific measurable goals and metrics related to improved outcomes and reduced disparities, which will be tracked by the Department.
- iii. The Department should target the funding in the following ways:

- a. \$30 million to projects that are a collaboration between a safety net hospital, particularly community safety net hospitals¹, and other providers and designed to address specific healthcare disparities;
 - b. \$20 million to collaborations between safety net hospitals and a larger hospital partner that increases access to specialty care in distressed communities;
 - c. \$30 million to projects that are a collaboration between hospitals and other providers in distressed areas of the state designed to address specific healthcare disparities;
 - d. \$15 million to collaborations between critical access hospitals and other providers designed to address specific healthcare disparities;
 - e. \$15 million to cross-provider collaborations designed to address specific healthcare disparities; and
 - f. \$5 million to collaborations that focus on workforce development.
- iv. The Department may allocate up to \$5 million for planning, racial equity analysis or consulting resources for the Department or entities without the resources to develop a plan to meet the criteria of this section. Any contract for consulting services issued by the Department under this subparagraph shall comply with the provisions of Section 5-45 of the State Officials and Employees Ethics Act (5 ILCS 430/5-45). Based on availability of federal funding, the Department may directly procure consulting services or provide funding to the collaboration. The provision of resources under this paragraph is not a guarantee that a project will be approved.
- v. The Department shall take steps to ensure that safety net hospitals operating in under resourced communities receive priority access to hospital and healthcare transformation funds, including consulting funds, as provided under this section.

Section (d-5)(G) Process for submitting and approving projects for distressed communities:

The Department shall issue a template for the application. The Department must post any proposal it receives on the Department's website for at least two weeks for public comment, and must consider any public comments it receives.

In general, proposals are to include:

- i. A detailed description of how the project intends to affect the goals of the transformation program;

¹ The legislation does not establish a new category of "Community Safety Net Hospitals", but rather requires HFS to convene a workgroup within 30 days of enactment to make recommendations on the following issues: community safety net designation of certain hospitals, racial equity, and a regional partnership to bring additional specialty services to communities.

- ii. A detailed description of the racial and ethnic makeup of the entities' board and leadership positions and the salaries of the executive staff of entities in the partnership, that is seeking to obtain funding;
- iii. A complete budget, including an overall timeline and a detailed pathway to sustainability within a five (5) year period, specifying other sources of funding, such as in-kind, cost-sharing, or private donations, particularly for capital needs. There is an expectation that parties to the transformation project dedicate resources to the extent they are able and that these expectations are delineated separately for each entity in the proposal;
- iv. A description of any new entities formed or other legal relationships between collaborating entities and how funds will be allocated among participants;
- v. A timeline showing the evolution of sites and specific services of the project over a five (5) year period, including services available to the community by site;
- vi. Clear milestones indicating progress toward the proposed goals of the proposal as check points along the way to continue receiving funding. The Department is authorized to refine these milestones in agreements, and is authorized to impose reasonable penalties, including repayment of funds, for substantial lack of progress;
- vii. A clear statement of the level of commitment the project will include for minorities and women in contracting opportunities, including as equity partners where applicable, or as subcontractors and suppliers in all phases of the project;
- viii. If the community study utilized is not the study commissioned and published by the Department, the applicant must define the methodology used, including documentation of clear community participation;
- ix. Describe the process used in collaborating with all levels of government in the community served in the development of the project, including but not limited to legislators and officials of other units of local government;
- x. Documentation of a community input process, in the community served, including links to proposal materials on public websites;
- xi. Verifiable project milestones and quality metrics that will be impacted by transformation should be identified with improvement targets that must be met;
- xii. Data on the number of existing employees by various job categories and wage levels by the zip code of the employees' residence and benchmarks for the continued

maintenance and improvement of these levels. The proposal should also describe any retraining or other workforce development planned for the new project;

- xiii. If a new entity is created by the project, describe how the board will be reflective of the community served by the proposal;
- xiv. Explain how the proposal will address the existing disparities that exacerbated the impact of Covid-19 and the need for post-COVID care in the community, if applicable;
- xv. Explain how the proposal is designed to increase access to care, including specialty care based upon the community's needs.

Section (d-5)(H) Evaluation of Proposals & Funding Agreements:

The Department is to evaluate the proposals for compliance with the criteria and requirements. Proposals meeting all of the criteria may be eligible for funding with the areas of focus prioritized as described in subparagraph (d-5)(F)(ii). In reviewing the proposals, the Department will take into account the needs of the community, data from the study commissioned by the Department from the University of Illinois-Chicago if applicable, feedback from public comment on the Department's website, as well as how the proposal meets the criteria listed under subparagraph (d-5)(G). Alignment with the Department's overall strategic initiatives will be an important factor.

The Department shall seek to make payments from the transformation fund in a manner that is eligible for federal matching funds. Based on the funds available, the Department may negotiate funding agreements with approved applicants to maximize federal funding. Nothing in this section requires that an approved project be funded to the level requested. To the extent that fiscal year funding is not adequate to fund all eligible projects that apply, the Department will prioritize applications that most comprehensively and effectively address the criteria listed under subparagraph (d-5)(G).

Agreements shall specify the amount of funding anticipated annually, the methodology of payments, the limit on the number of years such funding may be provided, and milestones and quality metrics that must be met by the projects in order to continue to receive funding during each year of the program.

Agreements shall specify the terms and conditions under which a health care facility that receives funds under a purchase of care agreement and closes in violation of the terms of the agreement shall pay an early closure fee no greater than 50% of the funds it received under the agreement, prior to the Healthcare Facilities Services and Review Board considering an application for closure of the facility.

Any project that is funded shall be required to provide quarterly written progress reports, in a form prescribed by the Department, and at a minimum shall include the progress made in achieving any milestones or metrics or BEP commitments in its plan. The Department may reduce or end payments, as set forth in transformation plans, if milestones or metrics or BEP commitments are not achieved.

Background Information:

- [HFS Transformation Program Proposal](#), November 13, 2020.
- [IHA Hospital and Healthcare Transformation Update No. 3](#), November 17, 2020.
- [HOSPITAL and HEALTHCARE TRANSFORMATION PROGRAM: INVESTING FOR HEALTH EQUITY](#), IHA Position Paper, November 2020.
- [Hospital Transformation: Opportunity & Challenge](#), IHA Presentation to the Medicaid Legislative Work Group, August 19, 2020.

For Further Information:

- Dave Gross, Senior Vice President, Government Relations, dgross@team-iha.org or 217-541-1161
- John Bomher, Senior Vice President and Counsel, Government Relations and Policy jbomher@team-iha.org or 630-276-5470.