

Dear Honorable Members of the Hospital Transformation Committee (“Committee”):

The Association of Safety-Net Community Hospitals (“ASNCH”) is prepared to embark on hospital transformation that strives to protect the state’s most vulnerable populations and the hospitals that serve them. Since the Hospital Transformation Committee was created, ASNCH has held many hours of deep and thorough discussions with member hospitals throughout the state, each of which is examining ways in which transformation can be implemented to better serve their communities.

Today, on behalf of ASNCH, I will provide a brief outline of transformation principles for inclusion in the rules. However, as we cautioned in our initial presentation to the Committee, we must address the elephant in the room that is part-and-parcel to any hospital transformation discussion.

In October, this Committee asked the safety-net hospitals to convene meetings with the MCOs, brokered by HFS, to review MCO compliance failures and to identify solutions therefor. To date, Director Bellock and her staff have held 4 meetings, three of which included all MCOs and one of which was dedicated solely to compliance failures unique to County Care. We would like to thank Director Bellock and her staff for taking valuable Department time to lead these meetings.

Unfortunately, we have identified many failures on behalf of the MCOs but have not approached any level of solving significant problems for hospitals as it relates to hundreds of millions of dollars being lost to MCOs and critical funds being diverted from safety-nets. Safety-net hospitals have been forced to make layoffs and reduce services due to their inability to get paid by the MCOs for services rendered to Medicaid beneficiaries.

However, most recently these meetings are beginning to bear fruit and we respectfully ask that they be continued into the next Administration and General Assembly in order to attempt to solve problems to hopefully begin to halt the damage being caused to safety-net hospitals and vulnerable communities.

As we also cautioned during our initial presentation to the Committee, it is difficult to undertake meaningful transformation until accurate, reliable and transparent data sets are provided. Without accurate data, there is no opportunity to create projections for modeling upon which transformation can be predicated.

Current transformation funds are not rate-based nor at the discretion of the MCOs. Accordingly, they constitute a significant portion of the only funds that safety-net hospitals can rely on and any further impairment would be crippling to safety-net hospitals and the communities they serve.

MCO denial rates for safety-net hospitals are above 20% and not improving. Allowing current transformation funds, which are fixed-payments, to be subject to MCO denials, would be devastating.

Thus, it is difficult, if not impossible, to undertake true hospital transformation in the current Illinois managed care climate.

Notwithstanding these very-real constraints, the ASNCH proposes the following set of principles upon which the rules for transformation should be based:

Prioritization of transformation funding should be given to:

a) Statutory safety-net hospitals, including safety-net hospitals who do not currently receive transformation funding and psychiatric hospitals that are above 50% MIUR.

b) Critical Access Hospitals

c) Children's Hospitals

1. None of the hospitals receiving transformation funding prioritization shall suffer any impairment to their current level of transformation funding and each transformation proposal, if properly submitted, shall provide at least as much funding as they are currently receiving in the transformation pool.
2. Each of the prioritizations shall have the opportunity to present transformation proposals until the funding is exhausted.
3. When considering transformation requirements, safety-net hospitals shall be given credit for any and all transformation activities undertaken prior to the implementation of the rules.
4. Create capital funding (separate from transformation pool) to avoid cannibalizing critical operating transformation revenues.
5. Provide financial support to safety-net hospitals to allow them to engage the appropriate level of professional support needed to develop transformation plans.
6. Any and all time-lines must be reasonable and, if necessary, the legislature should extend any current sunsets to accommodate meaningful transformation.

Thank you for allowing me to present before you today and I am prepared for any and all questions this Committee might have.