
FINAL LEGISLATIVE PACKAGE TO SAVE MEDICAID

Spring Legislative Session, May 2012

Background:

The Illinois Medicaid system was on the brink of collapse, with a \$2.7 billion hole in the FY 2013 Medicaid budget plus \$1.9 billion in unpaid Medicaid-related bills at the end of the current FY 2012 (through June 30). Without solving the Medicaid crisis this spring, the program would have continued to eat into the rest of the budget, limiting the ability to fund critical state priorities, including education, public safety and the capital construction program.

The final Medicaid legislative package includes 4 bills:

- SB 2840: "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: \$1 per pack cigarette tax increase provides \$700 million for Medicaid; a new hospital assessment program provides \$100 million for Medicaid (and \$480 million for hospitals); also includes charity care standards for property tax exemptions for non-profit hospitals
- HB 5007: 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: Section 25 for Medicaid payments is phased out, to end the long-time practice of balancing the budget by pushing Medicaid bills into the next fiscal year

The Medicaid budget hole of \$2.7 billion is filled: \$1.6 billion from SMART Act reductions; \$700 million from cigarette tax; \$100 million from the new hospital assessment, and \$300 million allocated to Medicaid from increased state revenues beyond projections (all including 50% federal match).

Overview of SMART Act Reductions:

The SMART Act was developed after a review of the entire Medicaid program by the bipartisan Legislative Medicaid Advisory Committee. It scales Medicaid to fit existing appropriations through spending reductions, utilization controls and provider rate cuts, including:

- Eligibility for adults in the FamilyCare program is reduced to 133% Federal Poverty Level.
- 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:
 - Enhanced eligibility verification of income and residency through use of private vendor’s access to national databases for annual redeterminations; and
 - Expanded authority of the HFS Inspector General to deny, suspend and recover overpayments and conduct pre-payment and post-payment provider audits.
- Some optional services are eliminated, such as group psychotherapy and adult chiropractic services.
- Utilization controls are placed 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).
- Medicare standards are adopted for certain services, such as for weight-loss surgery, home health agencies, hospice care, and hospital readmissions and “never events” (the most serious form of medical error).
- Limits are placed on adult and children’s prescriptions to four per month, with additional prescriptions available based on patients’ needs.
- Co-pays are increased to the federal maximum for pharmaceuticals, emergency room non-emergent care and for Federally Qualified Health Centers (FQHC’s).
- All provider groups receive a rate cut of 2.7% except for doctors, dentists, FQHCs, safety-net hospitals and critical access rural hospitals. Other hospitals than safety-net and critical access hospitals receive a rate cut of 3.5%.

The 62 issues included in the SMART Act are itemized in the *Final Budget Actions Worksheet on SMART Act* on the Illinois Department of Healthcare and Family Services Website.