



Medicaid Stabilization – Fact Sheet

- The Medicaid system is on the brink of collapse and the \$2.7 billion hole in Medicaid must be addressed this spring.
- The Governor has a plan that addresses the entire \$2.7 billion problem with three components: \$2 billion (75 percent) reductions, a \$1 per-pack cigarette tax and taking advantage of federal matching dollars.
- Without solving the Medicaid crisis this spring, the program will devastate next year's fiscal year's budget (the budget that will be passed in May), limiting our ability to fund critical state priorities, including education, public safety and the capital construction program.

Background

Illinois' Medicaid program is on the brink of collapse. The program, which provides health care to 2.7 million Illinois residents in need, will end this current fiscal year (though June 30) with **\$1.9 billion in unpaid bills**. Unless we take action to fundamentally restructure Medicaid this session, the Civic Federation estimates **\$21 billion** in unpaid Medicaid bills by 2017.

Medicaid and pensions now account for **39 percent** of state general revenue spending, putting a tremendous squeeze on the rest of our budget and impacting Illinois' ability to provide other essential services, such as education and public safety.

We must save our Medicaid program in order to continue providing services that millions of Illinois residents depend upon. The status quo is not an option. **Every day without action to stabilize Medicaid only makes the problem worse** and will lead to additional service reductions.

How did we get here?

- **Program costs** have risen 6 percent per year since 2008, due to significant enrollment growth from the recession and Illinois' reliance on a fee-for-service system;
- The **expiration of the federal stimulus**; and
- Last year's **deferral of \$1.9 billion** in Medicaid bills to future years.

Stabilizing the Medicaid System

2011's Medicaid reforms, championed by Governor Quinn, are helping to tighten eligibility and move Illinois to a managed, coordinated system of care. However, we must still **reduce Medicaid expenditures in the program by \$2.7 billion in the coming year** to prevent the system from collapsing.

In his February budget address, the Governor called for \$2.7 billion in savings to Medicaid liability this session. The Governor convened a **working group** – comprised of members from each of the four legislative caucuses – to explore all options and develop a framework to save our Medicaid system.

The working group met with and incorporated suggestions from many provider groups, including: hospitals, podiatrists, durable and disposable medical equipment companies, long-term care providers, dentists, pharmacists, and hospice providers.



OFFICE OF GOVERNOR PAT QUINN

The Governor has proposed a plan to stabilize Illinois' Medicaid system by reducing Medicaid liability by \$2.7 billion – a plan comprised of three-quarters cuts, reductions and efficiencies.

- Cuts, reductions and efficiencies to 58 separate items totaling \$1.35 billion (50 percent)
- Rate reductions to providers totaling \$675 million (25 percent)
- Additional revenue through a \$1 per pack increase in the cigarette tax totaling \$337.5 million (12.5 percent)
- 100 percent federal match funding from the increased cigarette tax totaling \$337.5 million (12.5 percent)

The cuts, reductions and efficiencies across 58 separate items in the Governor's proposal include:

- Program integrity to prevent client and provider fraud
- Elimination or reduced coverage of certain optional populations and services
- Controls on use of Medicaid services to prevent over-use or waste
- Adjustments to rates that are outdated or do not reflect budget realities
- Expanded cost-sharing by clients
- Redesigned healthcare delivery system through Coordinated Care
- Complete implementation of all reforms in 2011 Medicaid reform law

Limiting Medicaid liability through revenues raised by increasing the cigarette tax is a crucial component of the Governor's plan because it is good fiscal and public policy:

- According to the American Cancer Society, tobacco use cost Illinois \$1.5 billion last year in Medicaid spending.
- The revenue raised by the **federal match accounts for a full one-eighth** (\$337.5 million per year) of the savings we need to find in the Medicaid program.
- Beyond the direct revenue, raising the cost of cigarettes by a dollar will improve the health of the people of Illinois, **reducing tobacco-related Medicaid and health care costs** over the long-term.
- Again according to the American Cancer Society, raising the cigarette tax will prevent **more than 70,000 children** from becoming addicted adult smokers, decrease youth smoking by 11 percent and save more than 38,000 Illinois residents from premature, smoking-caused death.
- In its FY2013 Illinois Budget Roadmap, the **Civic Federation supported increasing the state tax on cigarettes** from the current rate of 98 cents per pack to \$1.98 per pack in FY2013 to reduce the State's budget deficit and to fund public health expenses in future years.

Result of Medicaid Stabilization

The Governor's proposal will ensure Illinois is able to continue its Medicaid program.

It is respect for the doctors, clinics, hospitals, nursing homes, and pharmacists who provide care under the Illinois Medicaid program, often under very challenging circumstances, that must motivate us to work together to save the entire program from collapse. Our goal is to create a high quality Medicaid program that is sustainable for this year and years to come.

We must implement a program to stabilize Illinois' Medicaid system as soon as possible. The longer we delay without implementation, the larger the hole in the Medicaid program becomes and the closer the program moves to collapse.