



**The American Recovery and Reinvestment Act of 2009 (ARRA) (H.R. 1):
The Impact of the Stimulus Bill on the Illinois Medicaid Program**

Health & Disability Advocates (HDA) has prepared this memo to highlight key issues for Illinois policymakers to consider regarding the impact of the health care provisions in ARRA. We concentrate in this memo on the impact, in particular, on the Medicaid program with a focus on capturing the maximum federal funds for Illinois. There are other health care provisions to fund preventative care, expand wellness programs, fund primary care provider education, expand community health centers, implement health care technology, improve Veteran's health care facilities and fund medical research all of which will benefit Illinois. We encourage Illinois policymakers and state officials to create a cooperative and transparent dialogue so that all stakeholders can participate in ensuring that we meet the common goal of financing and improving our state Medicaid and overall health care system.

The Uninsured in Illinois

HDA has published reports on the uninsured in Illinois including demographic information on their geographic location, income, employment status, gender, and disability status. This data indicates that of the 1.4 million adults in Illinois who are uninsured, over 50% are low income (below 200% FPL) – yet do not have access to the Medicaid program – and over 60% are employed, yet do not have access to employer-based insurance. Based on the unemployment increases since 2008 in Illinois, our researchers expect that the numbers of unemployed in Illinois have grown and the recently unemployed have lost or are soon to lose their COBRA extension insurance, thus growing the ranks of the uninsured.

The Increase in the Medicaid Federal Medical Assistance Percentage (FMAP)

Illinois currently receives a 50% Federal Medical Assistance Percentage (FMAP) match on most of its state Medicaid expenditures with some exceptions, most notably the increased match of 65% on SCHIP expenditures. The stimulus bill raises Illinois' match by at least 6.2% for Medicaid expenditures paid by the state to providers for medical services billed between October 2008 and December 31, 2010. The bill also makes Illinois eligible to receive an additional percentage increase to our FMAP rate above the 6.2% across the board increase based on the increase in our unemployment rate as compared over time. There are also specific Medicaid expenditures for which Illinois *cannot* receive an increased FMAP rate, most notably, claims that are not paid in a timely manner (see *Prompt Payment Section*), funds deposited in reserve, and increases in intergovernmental transfer match rates after September 30, 2008. Illinois must be cautious to minimize those claims.

We expect Illinois to receive an enhanced match based on our unemployment increase but *we must make certain that Illinois has the ability to accurately report unemployment rates to the federal government to maximize federal funding*. We also urge Illinois policymakers and state officials to plan and budget for the payment of current and past Medicaid bills in a manner so as to maximize the federal match available during the pendency of the enhanced rate. The Government Accountability Office estimates that Illinois would potentially receive \$2.9 billion in Medicaid assistance (over three

years) under the new legislation, based on projections of future economic conditions. (<http://www.cbpp.org/1-22-09bud-fmap.pdf>). It is critical that these funds are spent on Illinois' healthcare costs, since the largest component of the state's budget deficit is the debt owed to Medicaid providers.

The "Prompt Payment" Provision

The ARRA contains provisions requiring prompt payment of Medicaid providers. This provision is very important to maintain access to providers and to ensure the stability of our Medicaid provider system. However, advocates and providers in Illinois are understandably concerned that the state's fiscal and political situation in 2008 prevented prompt payment of providers and, therefore, Illinois might be determined ineligible to receive an enhanced FMAP match for those Medicaid bills that were paid more than 90 days late. After extensive discussions with our Congressional delegation, we are pleased that the compromise legislation contains a prompt payment provision but also a grace period to allow Illinois to receive an enhanced match for some Medicaid bills submitted prior to June 1, 2009.

The prompt **payment provision applies to all Medicaid providers**. It reads: "no state shall be eligible for an increased FMAP rate as provided under this section for any claim received by a State from a practitioner subject to the terms of section. . . for such days during any period in which that State has failed to pay claims in accordance with such section as applied under title XIX of such act."

However, there is a **grace period for compliance** with the prompt payment provision for **hospitals and nursing facilities**. The *grace period* language reads "Notwithstanding clause (i), no period of ineligibility shall be imposed against a State prior to **June 1, 2009**, on the basis of the State failing to pay claim in accordance with such clause." There is also waiver language the bill that reads "The Secretary of Health and Human Services may waive the application of clause (i) to a State, or the reporting requirement imposed under clause (ii), during any period in which there are exigent circumstances, including natural disasters, that prevent the timely processing of claims or the submission of such a report."

Moratorium on Medicaid Regulations

House and Senate negotiators included a provision extending a moratorium on six Medicaid regulations promulgated by the Bush Administration that would have reduced access to rehabilitative services, targeted case management, school-based services, reimbursement to public and teaching hospitals, and graduate medical education payments in Medicaid. It also places a new moratorium on a rule that limits the outpatient hospital services that states may provide in Medicaid. The agreement will extend these moratoria to July 1, 2009, giving the Obama Administration time to rescind these regulations and recommends that the Administration take steps to do so. The Medicaid regulations would have dramatically reduced Medicaid funding in Illinois in many areas, most notably for case management services and hospital funding for county hospitals such as Cook County. Illinois should continue to work to advocate for the Obama administration to repeal or withdraw these regulation as is allowed by administrative procedures.

COBRA Extension Health Care Coverage

While COBRA Benefits are not a public health care program, the option to continue employer coverage can prevent families from enrolling in Medicaid and save money for the state. However, COBRA benefits are often too costly for the recently unemployed to opt into. The ARRA provides

some relief in the form of a new tax credit of up to 65% of the premium to the recently unemployed (involuntarily terminated between September 1, 2008-December 31, 2009) to keep their health insurance for up to 9 months and make it more affordable. The provision is to be administered by employers (and in some cases self-insured plans) who pay the amount of the premium subsidy and then deduct it from the employee's payroll taxes. Illinois policymakers and state officials should connect with advocates, employers, insurers and stakeholders to publicize these tax credits and to maximize those who can use the option to allow them to keep COBRA benefits through public education and outreach.

The Final Version of the ARRA Does Not Contain a Medicaid Option for the Unemployed as in the House Version

Advocates and providers supported the inclusion of the Medicaid Option for the Unemployed (in the House version but not in the Senate version) since the option would have been beneficial for coverage of the uninsured in Illinois. While concerns were raised about whether this eligibility threshold would have adequately met the needs of many of our uninsured low income citizens who tend to be "chronically unemployed", "under-employed" or "self-employed," the fact remains that we have a large population of low income, uninsured residents in Illinois with no access to employer-based insurance or Medicaid. Since we do not expect the federal government to offer Medicaid quickly to these populations who are currently not eligible for Medicaid, we support a proposed limited state expansion of health care, *Assistance to Medical Insurance*, to those who are uninsured, under 100% of the Federal Poverty Level and determined to be probably eligible for SSI disability benefits or who are ages 50-64.

The information contained in this memo was verified in the Congressional Quarterly, House Action Reports, No. 111-1, February 13, 2009, Edition – Conference Summary – The Economic Stimulus Agreement. All Federal Agencies and state agencies receiving funds under this Act must report the expenditures on Recovery.gov to maintain transparency.

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